



Quality POLICY

American Axle & Manufacturing's policy is to provide products and services which totally satisfy the requirements as defined by the customer.

Mission STATEMENT

American Axle & Manufacturing and its associates are committed to meeting customer requirements through measurable quality improvement, cost reduction, and on-time delivery of products and services, while achieving profitable growth.



AAM's executive leadership team represents some of the best and the brightest men and women in the industry today.

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Strategic INITIATIVES

- 1. Be globally competitive in measurable quality.
- 2. Meet customer delivery schedules on time, every time.
- 3. Be globally competitive on cost.
- 4. Be the leader in product, process and systems technology.
- 5. Continually upgrade the skills and knowledge of our associates.
- 6. Diversify, profitably grow and become global.
- 7. Achieve adequate financial returns.

Financial HIGHLIGHTS

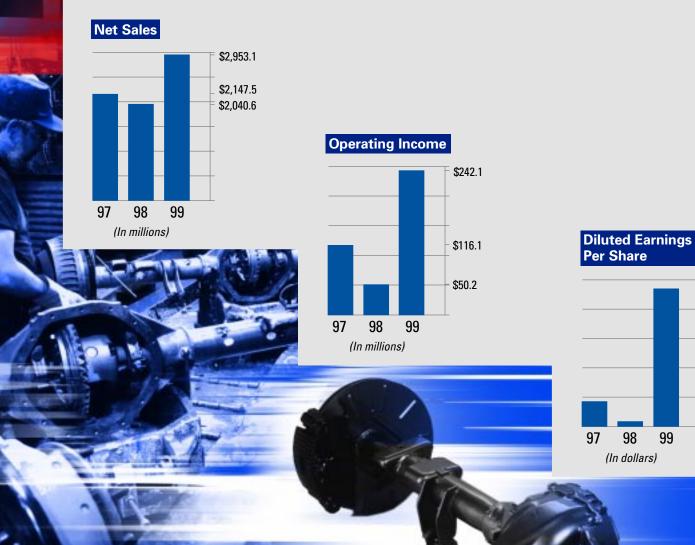
Year Ended December 31

\$2.34

\$0.43 \$0.08

99

	Tour Endou December of		
(In millions, except per share data)	1999	1998	
Net sales	\$2,953.1	\$2,040.6	
Operating income	242.1	50.2	
Income before income taxes	183.4	5.6	
Net income	115.6	3.5	
Diluted earnings per share	2.34	0.08	
Diluted shares outstanding	49.5	43.3	
Total assets	\$1,677.1	\$1,226.2	
Total long-term debt	774.9	693.4	
Stockholders' equity	263.7	40.4	



A message to our STOCKHOLDERS

Delivering. Power.

Those two words sum up American Axle & Manufacturing's strengths and capabilities as we proudly issue our first annual report to stockholders.

The sound of the opening bell at the New York Stock Exchange on January 29, 1999, marked AAM's first day as a publicly traded company. With the strong track record AAM had established since we began operations on March 1, 1994, we were ready to show the world what our company has to offer.

1999. Highlights.

Since our Wall Street introduction, AAM has delivered power through double-digit revenue growth, record earnings, major improvements in profit margins, and increased returns on invested capital. Year-end 1999 figures show:

- Sales of \$2.95 billion, an increase of \$912 million over 1998
- Profits of \$115.6 million, an increase of \$112 million over 1998
- . Return on sales of 3.9 percent
- · Return on invested capital of 16 percent

The year 1999 was a record-breaker for light truck and SUV production, and AAM supported our customers by meeting demanding schedules with top-quality products, delivered on time, every time.

This was also a year highlighted by selective and strategic growth. Acquisitions, new facilities and our first joint venture helped us significantly diversify our customer base and product portfolio, expand our geographic presence, increase our technological capabilities, and add value and efficiency to our manufacturing operations.



AAM's senior managers rang the opening bell at the New York Stock Exchange.

Forging. Relationships.

In April, we acquired two automotive forging companies: Ohio-based Colfor Manufacturing and Michigan-based MSP Industries. They brought into our family some of the very best people, processes, technologies, and facilities in today's North American forging market. These acquisitions also added capacity, new products and new customers.

We also worked in partnership with the leaders of the United Auto Workers (UAW) and International Association of Machinists (IAM) unions to bring in-house a key value-added machining operation previously performed by outside suppliers. We purchased and equipped a new facility and hired more than 100 associates under a new labor agreement. The new operation will machine forged products in Cheektowaga, New York – improving the company's overall performance.

We formed a Forging Division, which includes Colfor and MSP along with AAM's two original forge operations in Michigan and New York – for a total of nine plants that provide forged and machined products and services.

Our Forging Division associates share information, technology, resources, and capabilities to improve operational efficiency, productivity, and profitability. They are making planned synergies a reality while further advancing our leadership in this important market segment.

Global. Presence.

South of the U.S. border, we are on schedule in constructing our new world-class Guanajuato Gear & Axle facility in Silao, Mexico. The plant will launch our brand-new 11.5-inch and 8.6-inch rear axles this year. Customers from around the globe have visited the state-of-the-art facility, and capacity has been added to meet their increased requirements for GG&A products.

In October, American Axle & Manufacturing formed its first joint venture – AAM do Brasil – joining with the former OEM division of Hübner Indústria Mecânica Ltda., a manufacturing operation in Curitiba, Brazil. This venture gives AAM a presence from which to *deliver power* locally to the growing South American market.



Left to right: B.G. Mathis, Executive Vice President - Administration & Chief Administrative Officer; Joel D. Robinson, Executive Vice President - Operations & Chief Operating Officer; Richard E. Dauch, Chairman, CEO & President; and Robin J. Adams, Executive Vice President - Finance & Chief Financial Officer.

Balanced. Diversification.

In the year 1999, we created a more balanced customer base and an expanded product portfolio. We added more than 70 new customers through acquisitions and new sales contracts, and reduced the concentration of business with our major customer, General Motors, from 93 percent for 1998, to 86 percent for 1999, and to 79 percent (pro forma) with the addition of future booked programs.

In 1999, we were awarded business that totals a 20 percent increase in future annual revenue. We expanded and extended our business with General Motors and brought in new business with DaimlerChrysler, Ford, Visteon, Nissan, Bosch, Delphi, Koyo, SKF, and others — on programs ranging from model year 2000 to 2004.

Strong. Heritage.

American Axle & Manufacturing is new to the public market, but our heritage goes back to the beginning of the automotive industry. Our five core North American facilities in Michigan and New York were part of the General Motors Corporation before they were purchased by AAM.

Since AAM began operations on March 1, 1994, those facilities have been modernized from the inside out, and employees – referred to as associates – have been given the education, training, tools, equipment, systems, technology, and environment to do their jobs with precision and excellence.



Several of AAM's experienced associates.
Clockwise from bottom left: Joe Brodzinski
Sr.; Steve Gillihan and Marcia Ballard;
Don Nelson; Joe Laderach and Ben Hogan;
Rodney Burks; Sylvester Bradley and
Darlene Parsons; Stan Smith and Steve
Hefner; and Hoyt Bush with visiting students.

Today, AAM is a well-established global leader in the design, engineering and manufacture of driveline systems, chassis systems and forged products for trucks, buses, sport utility vehicles, and passenger cars.

Associates in our 20 locations around the globe are focused on the same mission: to meet customer requirements through measurable quality improvements, cost reduction, and on-time delivery of products and services, while achieving profitable growth.

Solid. Foundation.

In our first year as a public company, American Axle & Manufacturing has set and met ambitious performance and profitability standards.

We will continue to meet our customers' and stockholders' expectations by building on our fundamental strengths — a combination of attributes that, together, differentiate AAM from other tier-one automotive suppliers.

• First, our people. We have established a positive, solid, working relationship with our workforce and the unions that represent them. Well-educated, hard-working, experienced and motivated associates are our most valuable resource. We continuously invest in them, and we see returns on that investment through innovative thinking, improved quality, and increased productivity. Using a formula we refer to as "E²," we see exponential results from a strategic combination of education and empowerment. Our associates receive an average of 50 or more hours of education, training and skill-set development a year. And our team culture empowers them to use their knowledge and skills.

We put decision-making power squarely in the hands of the people **best** prepared to deliver results for our customers. Our associates are a vital source of AAM's ability to deliver power.

 Second, technology. Our nearly 12,000 men and women utilize advanced product, process, and systems technology on a daily basis.

The industry itself has acknowledged AAM's edge with a prestigious 2000 PACE Award nomination. PACE awards are presented each year by industry experts to suppliers who have embraced innovation or adapted and reinvented themselves to keep abreast of the constantly rising performance bar of the OEM customer. The recognition was for our AAM Steering Linkage, one of the many innovative products we have designed to meet demanding customer requirements for future vehicle programs.

Other AAM innovations have included net-shaped forgings, TracRite™ differentials, the 8.6-inch multi-link axle, the 11.5-inch rear axle, and independent front-and rear-drive modules. Our customers respond to our leading-edge technology and innovative approaches by dramatically increasing our volume of new business.

As we continue to integrate our newest companies' technological capabilities in core manufacturing

- processes such as forging and die-cutting, we will strengthen this competitive advantage even further.
- Third, efficiency. Driven by a focus on continuous improvement and waste elimination, our workforce maintains streamlined, efficient, flexible cost-competitive operations that create value and excellence for customers around the world. We are already seeing many productivity improvements as a result of the AAM Manufacturing System, which brings increased focus on lean manufacturing techniques. The system was introduced in 1999 and is producing major innovations and significant productivity improvements. We expect continued implementation of the system to bring further productivity improvements while helping us progress towards our quality goals of zero product discrepancies and zero customer complaints.
- Fourth, speed. The need for speed is a key characteristic of today's dynamic global automotive industry. Speed is required in product development and design ... in manufacture and delivery ... and in anticipating, meeting, and exceeding customer requirements. As a streamlined organization, we respond quickly and decisively and have successfully launched several new programs since 1994 on time and to budget, every time.

Future. Focus.

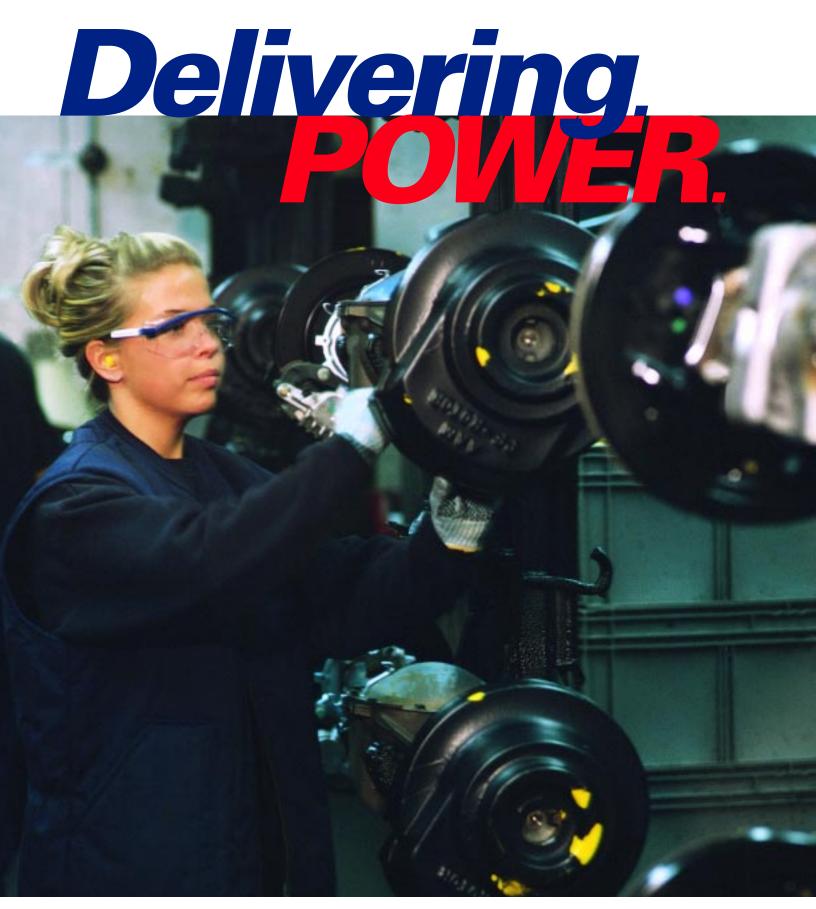
In 1999, AAM achieved world-class standards of quality, productivity, delivery, technology and customer responsiveness, and we have raised the bar in Year 2000. I would like to thank our board of directors — including former board member Glenn Hutchins — along with our nearly 12,000 associates, for their commitment, performance, teamwork and support.

The start of the new millennium is an exciting time for American Axle & Manufacturing, as we unleash our power and deliver unparalleled excellence — demonstrating to the world that we are without a doubt the premier, global supplier of driveline systems, chassis systems and forged products. We are ready and focused on the significant profitable growth opportunities that lie ahead for our organization.

Richard E. Dauch

Chairman, Chief Executive Officer & President

Rile E.



AAM Buffalo Gear & Axle Associate Jodi Rosolowski.

Clear vision, solid foundation, dynamic energy ... a mighty combination.

Just over a year ago, American Axle & Manufacturing began trading on the New York Stock Exchange under the symbol AXL.

Our Wall Street debut marked the next step in the delivery of the American Axle & Manufacturing promise – the promise to be the premier global supplier of automotive driveline systems, chassis systems, forged products and services.

Building on our years of experience and expanding our horizons to encompass a global perspective, AAM provides its customers with competitive advantages.

We are a full-service partner with our customers, providing advanced design expertise and innovative engineering, as well as complete testing, validation and manufacturing capabilities. Our wide range of products includes rear axles, independent front- and rear-drive systems, four-wheel and all-wheel drive systems, front steerable axles, TracRite™ differentials, propeller shafts, steering linkages, crankshafts, transmission components, anti-roll systems, steering & suspension components and a variety of chassis components and forged products. The majority of our products are sold to OEMs for their passenger cars, light truck and sport utility vehicles.

Today AAM employs nearly 12,000 associates and builds world-class products, utilizing more than seven million square feet of manufacturing space in the United States, Brazil, Canada, Mexico and the United Kingdom. In addition to our core manufacturing facilities, AAM provides research, development and design services at the driveline industry's most advanced Technical Center, and maintains and

establishes customer relationships around the world through strategically located sales and business offices. The AAM family of companies includes AAM de Mexico, AAM do Brasil, Scotland-based Albion Automotive, Ohio-based Colfor Manufacturing, and Michigan-based MSP Industries.

People. Investment.

AAM delivers on its promise to exceed customers' needs with precision quality now and in the future through ongoing investments in plants, products, processes and systems. To accomplish this, AAM has always put people first. Our leadership position is the direct result of a commitment to continually enhance associates' knowledge, skills, teamwork and experience.

Teamwork is an important element of the AAM culture. On a day-to-day basis, we rely on cross-functional teams and workgroup processes to help associates learn and utilize problem-solving processes and techniques. AAM associates develop smart solutions and innovations in a "hands-on" way to improve total performance. The combined effort of thousands of associates who participate in workshops and other team efforts results in cost reductions and significant improvements in AAM's quality, delivery, cost, technology, and financial performance.

Education, training and skill-set development programs are customized to meet the needs of associates whose specific needs vary by location, existing skill levels, and job requirements.





For instance, an ongoing leadership education program introduced in 1999 targets front-line supervisors – providing them with the technical skills they need to do their jobs, along with additional skills and resources to manage, lead and motivate the workforce.

And our forging plant in Tonawanda, New York, uses a program called "Workforce 2000" to provide associates with customized training to utilize the leading-edge technology, processes and systems they require in their particular work environment.

Productive. Processes.

AAM has delivered more than 20 million high-quality driveline systems to global customers on time, every time, while making continuous improvements in customer service, product quality, productivity, technology, warranty reduction and product reliability.

The automotive industry accepts global quality goals, such as 25 parts per million discrepancies. AAM targets **zero discrepancies** and customer complaints through five key measures we refer to as our "Five Quality Zeros." In 1999, several AAM operations remained under 25 and came close to obtaining zero discrepancies and zero customer complaints on a monthly basis. The associates



in one of our Detroit Gear & Axle operations achieved the "five zeros" in each of five months during the year – and they are our corporate benchmark.

In 1999, the AAM Manufacturing System was introduced to eliminate waste and further improve productivity in all operations and departments. Developed jointly by UAW, IAM, and AAM leaders, the system is based on the waste-reduction methods associated with "lean manufacturing." It focuses all associates on identifying and getting rid of waste associated with such inefficiencies as overproduction, excess inventory, and unnecessary waiting time, transportation, processing, and motion.

A key to the success of the AAM Manufacturing System has been a teamwork approach. Through regular cross-functional meetings, such as "people-focused practices workshops," associates use innovation and experience to create rapid improvements in performance,

flexibility, quality and profitability. As the process continues to roll out across AAM's global manufacturing facilities, further improvements are anticipated.

An example of waste elimination is AAM's increased focus on preventive and planned maintenance of our world-class tooling, equipment and machinery. Through a new automated, efficient system called MAXIMO, AAM is improving the efficiency of our maintenance functions, while increasing overall productivity and quality, reducing costs, and fostering a greater return on our capital investments.

Advanced. Technology.

"State-of-the-art" is always a moving target. Our Technical Center in Rochester Hills, Michigan, includes some of the world's most advanced systems and equipment, such as our chassis dynamometers and our metallurgical laboratory. The center offers full design and engineering capabilities as well as complete validation and testing services.

Working closely with our customers, the center's scientists, engineers and technicians develop creative solutions through product, process, and systems technology applications and advancements. One example is the capability to measure and minimize our products' noise, vibration and harshness (NVH) – which translates into better performing driveline systems and quiet, smooth-riding vehicles for our customers.

The center is just one example of AAM's more than \$1 billion capital investment to create a world-class company. It is the focal point for the development of creative, value-added, technological applications for new generations of vehicles. Furthermore, it focuses on the horizon, always evaluating advances that offer the potential of a further competitive edge.



The leaders of the AAM Steering Linkage team. Left to right: Jeffrey L. Kincaid, Daniel V. Sagady, Brian A. Mattila, and Mark S. Barrett.

Innovative. Thinking.

In 1995, General Motors laid down the gauntlet. AAM picked it up. The challenge was to develop a new steering linkage system with reduced mass, improved quality and durability, reduced friction and variation, and more precise steering geometry. Not only does AAM's new linkage system meet all of GM's requirements for its year-2000 full-size truck program, it is also easier for GM employees to install.

A combination of smart people, powerful teamwork, and advanced technology resulted in the breakthrough AAM steering linkage. The new system required more than adjustments to an existing product. It required a whole new innovative systems-oriented approach. Cross-functional teams, working within the AAM culture of empowerment, considered every detail and developed 90 new components, two new patented components, and completely new synchronous, automated manufacturing processes.

The design process itself set new milestones in development time and efficiency. With an AAM project team acting as the hub, AAM associates from a number of disciplines were on board during the entire process: product engineers, process engineers, industrial engineers, manufacturing experts, quality and customer assurance associates, buyers, and sales managers — with key suppliers involved all along the way.

The result: an award-winning product and new benchmarks for speed and efficiency. A true team effort, the linkages are assembled by associates at Buffalo Gear & Axle, with components manufactured at Tonawanda Forge.

The new steering linkage has qualified AAM as a finalist in the Year 2000 Automotive News PACE Awards. The award honors suppliers who have embraced innovation or adapted and reinvented themselves to keep abreast of the constantly rising performance bar of the OEM customer.

AAM is proud to be nominated for this prestigious award. But more importantly, we are pleased that our associates' technological advances, new processes and designs that led to this achievement will benefit our customers and the industry, well into the future.

Systems. INLEGRATO





Full product capabilities – from components to complete driveline modules. For all product sizes – the smallest passenger cars to the largest commercial trucks.

These advantages define AAM's comprehensive approach to serving our more than 70 customers around the world.

The AAM full-service approach is a key element of our customer partnership.

Our customers utilize AAM for every service related to a new product or program – from product concept to development, to prototype and testing, to manufacture, assembly and, finally, to delivery.

Led by a simultaneous approach to design, engineering, and manufacturing, we are able to continuously shorten concept-to-delivery times.

We benchmark ourselves and other leading manufacturers to continually improve our speed – speed in development, speed in manufacturing, speed in delivery. Colfor Manufacturing associates, for instance, are known industrywide for their ability to change forging dies in record time. Tapping into their "best practices" has allowed our Michigan and New York forging operations to change forging dies up to 40 percent faster than before Colfor joined our family of companies.

Complete. Capabilities.

AAM's full-service approach applies not only to how we serve our customers. It is built into who we are as an organization. Our value chain of equipment, tools, capabilities and facilities efficiently, successfully and profitably builds quality and excellence into every product we make.

We continuously take advantage of increasing opportunities to add value to our customers' products. Our strategy is well-timed, as a major industry revolution is seeing more and more responsibilities for technological development and systems management shift to tier-one suppliers. These are opportunities for AAM.

Today, we are responsible for the design, engineering, sequencing, manufacturing, painting, and delivery of every system we make, including the components. We can supply the independent front and four-wheel-drive axles or complete driveline systems, including all driveline components. We are taking this approach even further with products like our independent-front- and independent-rear-wheel-drive suspension *modules*, which we have developed for use on light trucks, SUVs, vans, passenger cars and hybrids. This *module* contains all components sequenced to assembly, ready to nest into a vehicle.

When we need additional components and services to better meet our customers' requirements, we select suppliers, modes of transportation, and key services based on the criteria of quality, delivery, technology and cost efficiency. Many business decisions, such as our 1999 initiative to acquire Colfor and MSP, are based on the advantages of securing and managing core value-added operations.

This capability to manage everything related to driveline components, systems and *modules* – from the arrival of steel bar stock through the delivery of a finished driveline system – allows us to continuously improve quality, productivity, speed, technology, and delivery – to ensure flawless products and excellent service.

Team. Focus.

Our success as
a full-service
supplier is due to
our commitment and
the ongoing communication
among all participants
along the entire value-chain
of each AAM component,
system, or module.

First and foremost, we work to understand the customers' needs completely. Active listening, clear communication, and frequent regular checks and balances are the hallmarks of our relationships

with our customers throughout the engineering and manufacturing process.

All projects are led by cross-functional product teams where each team member is empowered to ensure excellence from concept to delivery. These cross-functional, dedicated product teams include associates from our "Twin Towers" of manufacturing and engineering, in addition to our sales, purchasing and finance departments. The teams begin meeting early in the design process, when waste can be designed out of the system most effectively.

Our cross-functional approach also includes our partnerships with suppliers at all stages of development. AAM recognizes and encourages suppliers' suggestions and active involvement through programs such as on-site supplier liaisons, regular roundtables, annual supplier reviews, and suggestion and recognition programs.

Product. Range.

From the smallest forging component to the largest driveline system, AAM makes them all. We have the capability, capacity and expertise to create whatever our international driveline customers need.

And strengthening our core product lines is one of AAM's key initiatives, one we have met each time we have expanded our business. Whether that growth came through acquisition, geographic expansion, internal investment or insourcing, every AAM expansion has contributed to the strength of the company.

Strategically selected growth, focused on adding value through enhanced forging, driveline and chassis products and services: A no-nonsense approach that delivers a powerful message to the marketplace.

AAM's independentrear-wheel-drive module delivers the power that drives the automakers' vehicles.



Forging. Technology.

Before anyone had heard of simultaneous engineering, rapid prototyping or CAD/CAM — and long before the automotive industry even existed — the world's first manufacturers discovered that they could heat, press, bend, and forge raw steel to create products that would *deliver power* and function.

Hundreds of years later, these fundamental operations are still the foundation of the world's manufacturing processes. They remain the first steps in building components not only for driveline and chassis systems, but also for every other metalbased automotive product and system in the world today.

With the advent of today's PC-based "dot-com" technology, AAM has not lost sight of these fundamental "heating, beating and treating" techniques. Rather, we've sought and created a competitive niche by focusing leading-edge, laboratory-based precision metallurgy, engineering and process innovations on improving these products and processes — to create lighter-weight, higher-torque, higher-quality, more "power-dense" products. We are continuing to advance the art and science of technology.

AAM's experienced forging operators create lighter-weight, higher-quality, more "power-dense" products.

By applying sophisticated engineering approaches, our scientists build innovation into our forged products and processes from the molecular level on up. Unleashed with the first boom of a 4,000-ton forging press on a wedge of raw steel bar stock, the AAM advantage *delivers power* to our customers.

Our newest subsidiaries, Colfor Manufacturing and MSP Industries, have brought with them a range of advanced forging technologies, metallurgical specialists, innovative processes and equipment that further enhances AAM's leadership in the forging industry.

AAM produces more than 600,000 forgings per day – roughly one-third of the forgings produced each day in the North American automotive market.

Glamorous? Depends on who you ask. Our AAM scientists, engineers, experienced forge operators, and other stakeholders believe there's nothing more exciting than continually transforming "heavy metal" into competitive, value-added components that keep the world moving.

Strategic EXPANSION.

Enhancing capabilities,

leveraging expertise,

creating new opportunities ...

our focus is on a strong and stable future.



In our first few years, American Axle & Manufacturing has built a solid organization, upgraded facilities and processes, expanded our customer base, and made major investments that pave the way for measured growth. Now we are rapidly building on that foundation.

We make more products, for more customers, in more places than ever before. And we are handling our expansion selectively, with the careful attention to detail and concentrated focus that have guided us since the beginning. Our growth is governed by long-term objectives, and our expansion is guided by values that ensure AAM's progress will continue.

Focused. Growth.

The acquisition of companies and the expansion of our own capabilities and capacity have made AAM an even stronger competitor in the global automotive marketplace.

Shot-peening brings efficiencies

Shot-peening is one example of a process brought in-house at major savings to AAM.

The installation of two shot-peening machines at AAM's flagship Detroit Gear & Axle Plant, with a third to come in 2000, will reduce costs for this commonly used process by nearly 50 percent.

Shot-peening is also performed in-house at AAM's Buffalo Gear & Axle Plant and will be handled in-house at AAM's Guanajuato Gear & Axle Plant.

In the shot-peening process, a heat-treated part is struck by thousands of small round metal beads called shot, each hitting the surface of the part at 500 miles an hour. The process got its name from the fact that each shot acts as a tiny peening hammer, making small indentations or dimples in the surface. Shot-peening improves the durability of metal gearsets, including both ring gears and pinions.





Already a leader in the North American market, AAM is carefully and systematically expanding its capabilities by concentrating on:

- Product diversification adding new products that complement and extend our existing portfolio.
- Value-added activities and advanced technology creating products and processes that drive efficiency.
- Expanded global presence locating offices and operations where we can best serve the customer.
- Customer diversification expanding our base while growing business with our major customers.

Product. Range.

Recent acquisitions have added to our market share and profitability. Colfor Manufacturing and MSP Industries, for instance, helped AAM grow to more than 30 percent of the North American automotive forging market.

The acquisitions not only increased AAM market share, profitability, capacity and technology base, they also extend AAM's existing forged product line with additional hypoid gears, axle shafts and input-output shafts for transfer case applications. MSP's product line adds a variety of transmission parts for platforms used

in 30 different models of passenger cars and trucks, as well as 50 drivetrain and transmission shaft components.

Acquisitions have extended our product lines in our driveline business as well. Our first acquisition, Albion Automotive, not only expanded our geographic reach into Europe, but also provided us with larger-size axles for trucks, buses, vans and commercial vehicles in Gross Vehicle Weight classes 5 through 8. In essence, we now have the ability to produce any size axle required by any existing or potential AAM customer around the world.

Value-added. Processes.

AAM also grows by insourcing some selective value-added processes that were formerly done by outside suppliers. Bringing certain activities into the organization saves cost by eliminating non-productive steps such as packaging and transportation, while increasing technology and quality control. It allows for the spread of "best practices" to all aspects of AAM's manufacturing and maximizes the use of AAM's existing capacities, capabilities and skilled workforce.

One recent example was our 1999 purchase of a 110,000-square-foot building in Cheektowaga, New York, and the hiring of more than 100 associates to machine our net shape gears in that facility. We are now experiencing

Customer focus.

the efficiency of heat-treating and machining our own gears in that location — a few miles from our other New York facilities — rather than continuing to source that work to outside suppliers.

Global. Presence.

The quest for a greater global presence has been a key AAM initiative for the last two years. Our mission is basic: to go where potential customers exist and where existing customers need us.

Strategically located overseas sales offices have enhanced our ability to do business directly with current and potential customers at their locations outside North America. The Asia Pacific office in Tokyo has helped us win new business with Nissan, Koyo, Subaru and Isuzu. Our European Business Office in Ulm, Germany likewise played a key role in securing AAM's first major axle contract with DaimlerChrysler: the six-ton Mercedes transporter van, model year 2001, which will be manufactured by Albion Automotive, our UK-based driveline subsidiary.

New operations are located where they bring the most benefit to customers. For instance, we built our new world-class Guanajuato Gear & Axle facility to produce driveline systems for the General Motors facility in nearby Silao, Mexico, and meet the needs of other customers in the region. It is scheduled to launch in 2000. Since we began construction of the facility, we have added capacity to meet the requests of even more interested customers than we originally anticipated.

The formation of AAM do Brasil Ltda., a joint venture with the former OEM operations of Hübner Indústria Mecânica Ltda. of Curitiba in southern Brazil, supports AAM's strategic plan to establish a presence in all core automotive manufacturing regions of the world. The new company, established in October 1999, gives AAM the ability to provide products and services to customers in South America, once more diversifying our customer base and extending our product range.

Customer. Diversification.

AAM has expanded its customer base through acquisitions and the aggressive pursuit of new business. When the company was formed in 1994, one customer — General Motors Corporation — accounted for more than 99 percent of AAM's business. While sales to GM continue to increase, AAM has created a more balanced customer base by reducing the concentration of business with GM to 86 percent for 1999. With the addition of future business awarded in 1999 for model years 2000 through 2004, the company will further reduce its GM concentration to 79 percent (pro forma).

Added-value growth.

Enhanced capabilities.

AAM is shaping

its future.

New business acquired in 1999

A few of our newest customers are:

- DaimlerChrysler with front and rear driveline systems for the Dodge Ram full-size pick-up truck beginning in model year 2003. This program represents AAM's largest volume business with a new customer since the company was formed in 1994. The Dodge Ram was the fourth highest selling vehicle in the United States in 1999. AAM volume, including front and rear axles, is expected to exceed 200,000 annually.
- Timken with wheel hubs for the Dodge Ram program, which will be delivered with machined and induction-hardened races.
- Nissan Motors with steering linkages now in production at AAM for their 2000 model Frontier pick-up truck.
- Koyo Corporation (a Japanese bearing manufacturer) — with three forged products now in production, including wheel hubs for the BMW Z3 Roadster, Nissan Quest and Mercury Villager van, wheel spindles for the Ford Lincoln LS and the Jaguar.
- SKF (A Swedish wheel bearing manufacturer) —
 with components for four new wheel bearing
 components that are currently being delivered
 for assembly to DaimlerChrysler, Meritor and
 Volkswagen.

AAM is proud to have earned this new business while also increasing business with existing customers and continuing to exceed their expectations in quality, technology, and service.

Cempusty RESPONSIBIL

At American Axle & Manufacturing, a global business perspective goes hand in hand with a local community focus. Our emphasis on building strength and adding value extends beyond the customers we serve and the products we make, to the communities we work in and the people we influence. For, just as we are a stakeholder in the health of the communities in which we have a presence, so are the communities stakeholders in AAM.

Values-based. Giving.

Our community involvement reflects our values as a corporation. Our emphasis on continual learning and skill-set development extends from our associates to young people in schools and youth organizations. Our focus on safe, productive facilities extends beyond our four walls, spilling over onto the streets and landscapes of our neighborhoods. Our investment in the future means participating in our communities.

Most of AAM's community and business contributions, sponsorships and volunteer activities support educational,

youth-focused ethat have a direct future workforce women in the Scarea, for instance from the fundrai

youth-focused efforts – programs that have a direct impact on our future workforce. Young men and women in the Southeast Michigan area, for instance, have benefitted from the fundraising efforts of

AAM's Chairman, CEO & President, Dick Dauch, who recently helped the Detroit Area Council of the Boy Scouts of America raise more than \$1.5 million.

American Axle & Manufacturing leverages its contributions through a dynamic combination of community activities, corporate donations and the dedicated efforts of associate volunteers.

Balanced. Commitment.

Since AAM opened its doors in 1994, we have provided ongoing, targeted support for community projects and needs. Big Brothers Big Sisters. United Way. Boy Scouts. Girl Scouts. Blood drives. Neighborhood clean-up drives. And charity fun runs. These are just a few of the many local programs and activities that we actively support.

We also believe in the importance of one-on-one relationships with the leaders of our communities and schools. Associates at every level of AAM serve as our ambassadors, having formed bonds with local chambers of commerce, elementary and high schools and with a variety of colleges and universities. We focus on academic excellence, especially in manufacturing, engineering and business disciplines, but also on activities that foster sportsmanship, teamwork and fair play — and fun. For instance, the associates at our Detroit Forge facility recently built and installed metal soccer goals on a vacant schoolyard



Clean-up and fix-up projects are an ongoing commitment at AAM. As soon as the company

was formed in 1994, it began major safety improvement and beautification projects at all its facilities. At the company's 120-acre complex that straddles Detroit and Hamtramck, improvements included building renovations and demolitions, resurfacing and reconditioning of streets, enhanced lighting and extensive landscaping. Blight that existed around the area was removed.

At the Buffalo Gear & Axle Plant in New York and the recently-acquired Colfor Manufacturing facilities in Ohio, government-

supported access roads were added to improve traffic flow and transportation ease and effectiveness. The new roads relocated heavy AAM truck traffic from residential streets while providing more efficient and cost-effective movement of materials from our suppliers and to our customers.

All AAM facility interiors and exteriors are painted in our trademark red, white and blue. And the changes are much more than cosmetic. Community residents view AAM as an important and approachable neighbor. Safety has improved, most notably in the City of Detroit, where the local police precinct reports a 51 percent reduction in crime in the area surrounding our complex since 1994.

Mutual respect.

Complementary objectives.

Good citizenship.
Good business.



at Sherrard Elementary School in Detroit – giving 533 students not only a new sport to play, but the opportunity to learn the value of being part of a team.

Other activities, such as our progressive School to Work program, translate companywide talents and vision into results at each of AAM's Michigan and New York facilities. Associates forge strong relationships with local school leaders to help young people appreciate the challenges and opportunities of manufacturing and engineering. The programs include job shadowing visits, work experience, plant tours, instructional videos, and classwork that stress preparation for careers in skilled trades and manufacturing management. They involve associates, students, teachers, and administrators – providing benefits and brighter futures for all.

AAM. Delivers.

Supporting our current and future workforce, expanding strategically, and enhancing our systems integration – these are just a few of the ways American Axle & Manufacturing has strengthened its position in the global automotive supplier market. They are also the keys we are using to target profitable growth long-term, ensuring that AAM will *deliver power* to our associates, customers and stockholders in the new millennium and beyond.



Karen Fisher and her girl scout troop.

Personal. Commitment.

American Axle & Manufacturing associates give their communities their personal best. At the end of each work day, they demonstrate their personal commitment to the future of their communities, their neighbors, and tomorrow's leaders.

Program Launch Manager **Karen Fisher** was named Michigan Metro Girl Scout Council 1999 Corporate Volunteer of the Year, capping more than a decade of hard work leading Waterford, Michigan, girl scout troops and directing their camping trips.

• By volunteering as a wrestling coach at a Boys and Girls Club in Detroit, Detroit Gear & Axle associate **Armando Hernandez** helps keep young people in school and off the streets, while giving them the opportunity to learn a sport, get exercise and meet new friends. • Albion Automotive associates **David Pennington, Terry Walton, Ian Brooks** and Alan Lamb ran seven miles to raise dollars to help critically ill children in Lancashire, England. • MSP associate Brian Tank turned a hobby into philanthropy, donating the venison from his 1999 deerhunting trip to a local battered women's and children's center. • Buffalo Gear & Axle Associate Cheryl Dudziak donated four bags of clothing to a local family of ten who lost their possessions in a house fire, prompting a flood of other donations from her co-workers. • MSP Associate Joe Brandmair and his wife Sara collect, repair and then donate clothing and household items to local charities. Their most recent delivery totaled 194 boxes. • Tonawanda Forge associate John Leitten Jr. literally lit up the town by helping rewire the 15-foot star hung atop the water tower at holiday time in his hometown village of Hamburg, New York.

Management's Discussion and Analysis

This discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements and notes thereto.

OVERVIEW

We are a Tier I supplier to the automotive industry and a worldwide leader in the manufacture, engineering and design of driveline systems for trucks, buses, sport utility vehicles ("SUVs") and passenger cars. A driveline system includes all of the components that transfer power from the transmission and deliver it to the drive wheels. The driveline products produced by us include axles, propeller shafts, chassis components and forged products. We sell most of our products under long-term contracts at fixed prices. Some of our contracts require us to reduce our prices in subsequent years and all of our contracts allow us to negotiate price increases for engineering changes.

We are the principal supplier of driveline components to General Motors Corporation ("GM") for its light trucks, SUVs and rear-wheel drive ("RWD") passenger cars. Other customers include Ford Motor Company, DaimlerChrysler, Nissan, BMW/Rover, Renault, Visteon Automotive, Delphi Automotive and PACCAR. As a result of our Lifetime Program Contracts with GM ("LPCs"), we are the sole-source supplier to GM for certain axles and other driveline products for the life of each GM vehicle program covered by an LPC. Sales to GM were approximately 86%, 93% and 96% of our total sales in 1999, 1998 and 1997, respectively. Substantially all of our sales to GM are made pursuant to the LPCs. The LPCs establish pricing for products sold to GM and require us to remain competitive with respect to technology, delivery and quality. The LPCs have terms equal to the lives of the relevant vehicle programs, which typically run 6 to 12 years. We will have to compete for future GM business upon the termination of the LPCs.

Blackstone Capital Partners II Merchant Banking Fund L.P. and certain of its affiliates (collectively, "Blackstone") acquired a controlling interest in the Company in a leveraged recapitalization transaction consummated in October 1997 (the "Recapitalization"). In February 1999, we completed an initial public offering ("IPO") and issued 7 million shares of common stock.

INDUSTRY AND COMPETITION

Our operations are considered cyclical because they are directly related to domestic automotive production, which is itself cyclical and dependent on general economic conditions and other factors. The axle and related driveline systems segment of the automotive industry is highly competitive. The current trend in the automotive industry is for original equipment manufacturers ("OEMs") to shift research and development ("R&D"), design and testing responsibility to their suppliers to take advantage of certain efficiencies. The OEMs have also been reducing the number of their suppliers, preferring stronger relationships with fewer suppliers. As a result, the number of Tier I suppliers is being reduced. This trend is expected to continue, leaving the industry with a smaller number of dominant, worldwide suppliers. We will continue to manage this trend by leveraging our excellence in manufacturing, engineering and design to diversify, strengthen and globalize our OEM customer base and to develop new technologies, products and integrated systems for our customers.

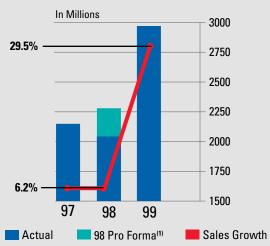
ACQUISITIONS

In 1999, we acquired two forging companies, Colfor Manufacturing, Inc. ("Colfor") and MSP Industries Corporation ("MSP"), and a controlling interest in a joint venture with Hübner Indústria Mecânica Ltda., of Curitiba, Paraná in Southern Brazil for aggregate purchase consideration of approximately \$239 million. Colfor specializes in precision cold, warm and hot forgings and the machining of such forgings. Colfor operates three manufacturing facilities in Ohio. MSP manufactures precision forged powertrain, driveline, chassis and other components for the automotive industry using cold and warm forging processes at three manufacturing facilities in Michigan. Our joint venture in Brazil machines forgings and driveline components for automotive OEMs. These acquisitions advance our strategic initiatives by diversifying our customer base and geographic presence, expanding our product offerings and enhancing our technology, design and engineering expertise.

Aggregate sales for Colfor, MSP and the OEM operations of Hübner Indústria Mecânica Ltda. approximated \$190 million in 1998. Goodwill recognized in connection with these acquisitions, which have been accounted for as purchases, is being amortized on a straight-line method over 40 years.

RESULTS OF OPERATIONS

Net Sales



(1) adjusted to add back the sales estimated to have been lost as a result of the 1998 GM work stoppage and the temporary payment reductions discussed below

Net sales increased approximately 45% to \$2.953 billion for the year ended December 31, 1999 as compared to \$2.041 billion for the year

ended December 31, 1998. This increase was primarily due to strong demand for our products for light trucks and SUVs, the fastest growing segment of the U.S. light vehicle market, and increased sales related to GM's new full-size truck program (GMT-800), on which the Company receives a higher average dollar content per vehicle than its predecessor (GMT-400).

Our sales also increased in 1999 due to shipments from Albion Automotive, which we acquired in the fourth quarter of 1998; Colfor and MSP, which we acquired on April 1, 1999; and our joint venture in Brazil, which we acquired in the fourth quarter of 1999. Excluding sales from these acquisitions, our sales increased by \$693.3 million or 34% in 1999 as compared to 1998.

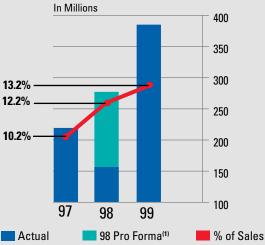
Another significant factor underlying the increase in sales in 1999 is the impact of the GM work stoppage which occurred in June and July of 1998 and resulted in the shutdown of nearly all of GM's North American production facilities. This work stoppage impacted our operations in June and July 1998 and also resulted in related start-up inefficiencies in our operations in August 1998. We estimate that sales lost in 1998 as a result of the GM work stoppage were approximately \$188 million and that operating income was adversely impacted by approximately \$71.2 million. We estimate that sales lost from another GM work stoppage in 1997 approximated \$60 million.

Sales were also adversely affected in 1998 and 1997 due to the temporary reduction of certain payments made by GM to us as part of our commercial arrangements from October 1, 1997 through December 31, 1998 ("temporary payment reductions"). The temporary payment reductions were approximately \$51.5 million in 1998 and \$11.4 million in 1997.

Management's Discussion and Analysis (continued)

Sales to customers other than GM increased to \$416.6 million in 1999 as compared to \$134.1 million in 1998 and \$88.5 million in 1997. The increase in sales to customers other than GM of approximately 210% in 1999 and 51% in 1998 is principally due to Albion, Colfor and MSP sales and additional business we have obtained.

Gross Profit

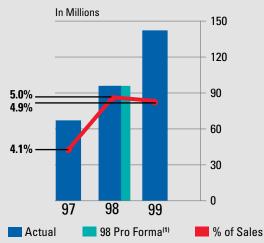


(1) adjusted to add back the sales and gross profit estimated to have been lost as a result of the 1998 GM work stoppage and the temporary payment reductions

Gross profit increased 149% to \$388.8 million in 1999 as compared to \$156.4 million in 1998. Gross margin increased to 13.2% in 1999 as compared to 7.7% in 1998. The increases in gross profit and gross margin in 1999 were primarily due to the impact of higher production volumes, productivity improvements and increased sales of next generation products which carry higher average selling prices. Gross profit and gross margin in 1999 also increased as a result of the impact of the 1998 GM work stoppage and the temporary payment reductions discussed above. We estimate that gross profit was adversely affected in 1998 due to the impact of the 1998 GM work stoppage and the temporary payment

reductions by approximately \$71.2 million and \$51.5 million, respectively.

Selling, General and Administrative Expenses ("SG&A")

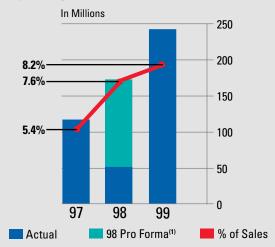


 adjusted to add back the sales estimated to have been lost as a result of the 1998 GM work stoppage and the temporary payment reductions

SG&A (including research and development) increased 35% to \$143.3 million in 1999 as compared to \$106.1 million in 1998. The increase in SG&A spending was primarily due to our continued increasing investment in R&D and increases in support required for our expanding operations, including the addition of Albion, Colfor and MSP. SG&A also increased in 1999 due to the adverse impact of the 1998 GM work stoppage on our profit-sharing program in 1998.

Research and development expenses were \$39.1 million, \$29.5 million and \$27.8 million in 1999, 1998 and 1997, respectively. The increase in R&D expenses in 1999 as compared to 1998 was primarily due to the increased costs of supporting new programs currently under development, as well as the addition of Albion, Colfor and MSP in 1999.

Operating Income



 adjusted to add back the sales and operating income estimated to have been lost as a result of the 1998 GM work stoppage and the temporary payment reductions

Operating income was \$242.1 million in 1999 as compared to \$50.2 million in 1998 and \$116.1 million in 1997. Operating margin increased to 8.2% in 1999 as compared to 2.5% in 1998 and 5.4% in 1997. The increase in operating income and operating margin was primarily due to the factors discussed above relating to gross profit, partially offset by increased SG&A and goodwill amortization related to the Albion, Colfor and MSP acquisitions.

Net Interest Expense. Net interest expense was \$54.6 million in 1999, \$44.3 million in 1998 and \$1.8 million in 1997. The increase in net interest expense in 1999 and 1998 as compared to 1997 was primarily due to borrowings incurred in connection with the Recapitalization in October 1997; the Albion, Colfor and MSP acquisitions in 1998 and 1999; and increased levels of capital expenditures in 1999. Net interest expense also increased in 1999 as compared to 1998 due to higher average interest rates in 1999 primarily associated with the 9.75% Senior

Subordinated Notes we issued in March 1999. The increase in net interest expense in 1999 was partially offset by interest income related to a higher amount of cash on-hand and a higher amount of interest capitalized on construction in progress.

Recapitalization Expenses. We incurred \$15.9 million of expenses in 1997 related to the Recapitalization. These expenses consisted principally of fees for professional services.

Other Expense. Other expense was \$4.1 million in 1999, \$0.3 million in 1998 and \$4.2 million in 1997 and related principally to losses incurred on the disposal of machinery and equipment.

Income Tax Expense. Income tax expense was \$67.8 million in 1999, \$2.1 million in 1998, and \$38.9 million in 1997. Our effective tax rate was 37.0% in 1999 and 1998 and 41.3% in 1997. The higher effective tax rate in 1997 was primarily due to non-deductible permanent items related to stock compensation.

Net Income and Earnings Per Share. Diluted earnings per share increased to \$2.34 per share in 1999 as compared to \$0.08 in 1998 and \$0.43 in 1997. After adjusting for the impact of the GM work stoppage and temporary payment reductions in 1998, year-over-year earnings growth was 43% in 1999 and 46% in 1998.

LIQUIDITY AND CAPITAL RESOURCES

We assess our liquidity in terms of our overall ability to mobilize cash to support business needs and to fund growth. We rely primarily upon cash flow from operations and borrowings under our Credit Facilities and our \$153 million receivables financing facility (the "Receivables Facility") to finance operations and capital expenditures.

Management's Discussion and Analysis (continued)

The Credit Facilities consist of:

- a Senior Secured Term Loan Facility (the "Tranche A Term Loan") providing for delayed draw term loans in an aggregate principal amount of \$102.2 million as amended in October 1999;
- a Senior Secured Term Loan Facility (the "Tranche B Term Loan") providing for term loans in an aggregate principal amount of \$375 million; and
- a Senior Secured Revolving Credit Facility
 (the "Revolving Credit Facility") providing for
 revolving loans and the issuance of letters
 of credit in an aggregate principal and stated
 amount not to exceed \$250 million (of which
 not more than \$30 million may be represented
 by letters of credit).

The following significant events have impacted our liquidity and financial flexibility in 1999:

- In February 1999, we completed an IPO and issued 7 million shares of common stock. The net proceeds of the IPO, after deduction of associated expenses, were \$107.7 million and were used to reduce outstanding borrowings under the Revolving Credit Facility (but not the related commitments).
- In March 1999, American Axle & Manufacturing, Inc. ("AAM Inc.") issued \$300 million of 9.75% Senior Subordinated Notes Due 2009 (the "Notes"). The net proceeds from the sale of the Notes were approximately \$288.7 million after deduction of discounts to the initial purchasers and other fees and expenses. The net proceeds have been used to repay existing debt under the Revolving Credit Facility and replace financing provided by the Receivables Facility, with the remainder of such net proceeds used for general corporate purposes, including financing acquisitions and capital expenditures.

- In April 1999, we purchased Colfor and MSP and in October 1999, we purchased a controlling interest in our Brazilian joint venture for aggregate purchase consideration of approximately \$239 million.
- In March 1999 and June 1999, we closed sale-leaseback transactions involving \$187 million of existing machinery and equipment. These sale-leaseback transactions were financed under operating leases that have a negative impact on our operating income and result in lower depreciation and amortization. However, the increase in lease expense is offset by lower interest expense and, therefore, has no material impact on our net income.
- In October 1999, the Company extended the availability of \$102.2 million of the Tranche A
 Term Loan to July 2000. Of the \$125 million of original Tranche A Term Loan availability, \$22.8 million expired unused. There have been no borrowings on the Tranche A Term Loan to date.

At December 31, 1999, we had working capital of \$62.8 million as compared to a working capital deficit of \$68.9 million at December 31, 1998. Net cash provided by operating activities in 1999 exceeded capital expenditures by approximately \$8.6 million. Working capital also increased in 1999 as a result of the \$140.2 million net cash proceeds held at December 31, 1999 from the financing activities discussed above, after repayment of outstanding borrowings on the Revolving Credit and Receivables facilities, the use of cash to make acquisitions in 1999, and the addition of Colfor and MSP working capital.

As part of our arrangements with GM, payment terms for products shipped to GM will steadily lengthen during the three-year period beginning March 1, 1999, resulting in an expected increase in accounts receivable balances and a related increase in interest expense. Approximately

\$62.6 million of the increase in accounts receivable at December 31, 1999 as compared to December 31, 1998, is due to the transition from next day payment terms with GM to net 10 days effective March 1, 1999. We anticipate that this and future increases in working capital associated with the lengthening of GM payment terms will be funded from available sources, including net cash provided by operating activities and our Credit Facilities.

Capital expenditures were \$301.7 million in 1999 as compared to \$210 million in 1998. These investments were primarily made to support the launch of new product programs, to support additional capacity and to support cost reduction programs, including upgrades in equipment technology and quality standards. Our largest capital project in 1999 was the construction of our new manufacturing facilities in Guanajuato, Mexico, which will begin operations in the first guarter of 2000. We estimate that we will exceed \$350 million in capital expenditures in 2000, which we intend to fund from available sources, including cash on-hand at December 31, 1999, cash provided by operating activities in 2000, and borrowings under the Credit Facilities or the Receivables Facility.

At December 31, 1999, \$375 million of borrowings were outstanding under the Term Loan Facility and \$352.2 million was available for future borrowings under the Term Loan and Revolving Credit Facilities. Additionally at December 31, 1999, \$70 million was outstanding and \$17.7 million was available under the variable funding certificates of the Receivables Facility.

The weighted-average interest rate of our long-term debt outstanding as of December 31, 1999 was approximately 8.6% as compared to approximately 8.0% at December 31, 1998. This increase in the weighted-average interest rate of our long-term debt outstanding is primarily due to the impact of the issuance of the Notes.

On an overall basis, we believe our current capital resources are adequate to support ongoing operational requirements. We also believe that we have sufficient financial flexibility to attract long-term funding on acceptable terms as may be needed to support our growth objectives.

FINANCIAL INSTRUMENTS MARKET RISK

Our business and financial results are affected by fluctuations in world financial markets, including interest rates and currency exchange rates. Our hedging policy has been developed to manage these risks to an acceptable level based on management's judgment of the appropriate tradeoff between risk, opportunity and costs. We do not hold financial instruments for trading or speculative purposes.

Interest Rate Risk. We hedge our interest rate risks by utilizing swaps and collars. Our Credit Facilities require us to enter into interest rate hedging arrangements with a notional value of \$112.5 million. Accordingly, we have entered into such hedging arrangements, which terminate in December 2000 and which require us to pay a floating rate of interest based on three-month LIBOR with a cap rate of 6.5% and a floor rate of 5.5%.

As part of a comprehensive risk-management program, we perform sensitivity analyses to assess potential gains and losses in earnings and changes in fair value relating to hypothetical movements in interest rates. A 100 basis-point increase in interest rates (approximately 12% of our weighted-average interest rate at December 31, 1999) affecting our debt obligations, and related interest rate swaps and collars, would have impacted our 1999 pretax earnings by approximately \$3.5 million based on December 31, 1999 debt levels.

Management's Discussion and Analysis (continued)

Currency Risk. Because most of our business is denominated in U.S. dollars, we do not currently have significant exposures relating to currency risks and have only a nominal amount of currency hedges in place at December 31, 1999. Future business operations and opportunities, including the expansion of our business outside North America, may expose us to the risk that cash flows resulting from these activities may be adversely affected by changes in currency exchange rates. We intend to manage these risks by using local currency funding of these expansions and by utilizing various types of foreign exchange contracts.

DIRECT MATERIAL PURCHASING TRANSITION

Through December 31, 1999, we acquired certain materials for use in the manufacture of our products through GM's purchasing network. As a result of our commercial arrangements with GM, we were precluded from directly negotiating lower purchase costs for such materials from suppliers. However, we were also protected from increases in the costs of such materials while this purchasing arrangement was in effect. If the prices of such materials exceeded prices jointly established with GM, GM increased the aggregate amount paid to us for our products. If the prices of such materials were less than prices jointly established with GM, GM reduced the aggregate amount paid to us for our products.

We are now in the process of transitioning to full responsibility for our entire purchasing function. As a result, while the prices at which we sell our products to GM continue to be effective as established in the LPCs, we will no longer have a contractual right to pass on future increases or decreases in the material cost component of our products sold to GM, except for certain ferrous metals and certain foreign exchange exposures

relating to sourcing decisions directed by GM. We believe that we can better control our material costs by establishing direct relationships with our key suppliers. In fact, we accelerated the transition to our fully independent purchasing function by approximately two years because of our confidence in our ability to achieve positive results by controlling the direct material purchasing function ourselves.

SEASONALITY

Our business is moderately seasonal as our major OEM customers historically have a two-week shutdown of operations in July and approximately a one-week shutdown in December. In addition, OEM customers have historically incurred lower production rates in the third quarter as model changes enter production. Accordingly, our third quarter and fourth quarter results may reflect these trends.

EFFECTS OF INFLATION

Inflation generally affects us by increasing the cost of labor, equipment and raw materials. We believe that the relatively moderate rate of inflation over the past few years has not had a significant impact on our operations because we offset the increases by realizing improvements in operating efficiency and by our plan to establish favorable supply agreements with key suppliers, including long-term supply agreements where appropriate.

YEAR 2000 UPDATE

We have executed detailed project plans to ensure that our computer information systems would be able to interpret the calendar year term "2000". Our Year 2000 readiness program addressed all of our plant facilities, equipment, computer hardware and software, and business support equipment. Our Year 2000 readiness program also included

modifications and conversions necessary to address our systems and process interfaces with third-party suppliers and customers. To date, we have not experienced any significant operational problems related to the Year 2000 issue and we do not presently believe that we will experience any such problems in the future.

LITIGATION AND ENVIRONMENTAL REGULATIONS

We are involved in various legal proceedings incidental to our business. Although the outcome of these matters cannot be predicted with certainty, management believes that none of these matters, individually or in the aggregate, will have a material adverse effect on our financial condition, results of operations or cash flows.

GM has agreed to indemnify and hold AAM, Inc. harmless from certain environmental issues identified as potential areas of environmental concern at the time of the 1994 Acquisition. GM has also agreed to indemnify AAM, Inc., under certain circumstances, for up to ten years from the date of closing of the 1994 acquisition with respect to certain pre-closing environmental conditions. Based on our assessment of costs associated with our environmental responsibilities, including recurring administrative costs, capital expenditures and other compliance costs, we do not expect such costs to have a material effect on our financial condition, results of operations, cash flows or competitive position in the foreseeable future.

EFFECT OF NEW ACCOUNTING STANDARDS

In June 1998, FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities", was issued. FASB Statement No. 133 establishes standards for the recognition and measurement of derivatives and hedging activities. This statement is effective for us on January 1, 2001. We are currently analyzing the impact this statement will have on our financial statements.

FORWARD-LOOKING INFORMATION

Certain statements in this Management's Discussion and Analysis and elsewhere in this Annual Report are forward-looking in nature and relate to trends and events that may affect the Company's future financial position and operating results. Such statements are made pursuant to the safe harbor provisions of the *Private Securities* Litigation Reform Act of 1995. The terms "expect", "anticipate", "intend", and "project" and similar words or expressions are intended to identify forward-looking statements. These statements speak only as of the date of this Annual Report. The statements are based on current expectations, are inherently uncertain, are subject to risks, and should be viewed with caution. Actual results and experience may differ materially from the forward-looking statements as a result of many factors, including reduced sales by the Company's customers, changes in economic conditions in the markets served by the Company, increasing competition, fluctuations in raw materials and energy prices, and other unanticipated events and conditions. It is not possible to foresee or identify all such factors.

The Company makes no commitment to update any forward-looking statement or to disclose any facts, events, or circumstances after the date hereof that may affect the accuracy of any forward-looking statement.

Consolidated Statements of Income

Year Ended December	31
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Year Ended December 31			er 31
(In millions, except per share data)	1999	1998	1997
Net sales	\$ 2,953.1	\$2,040.6	\$2,147.5
Cost of goods sold	2,564.3	1,884.2	1,927.4
Gross profit	388.8	156.4	220.1
Selling, general and administrative expenses Goodwill amortization	143.3 3.4	106.1 0.1	104.0
Operating income	242.1	50.2	116.1
Net interest expense	(54.6)	(44.3)	(1.8)
Recapitalization expenses	-	-	(15.9)
Other expense, net	(4.1)	(0.3)	(4.2)
Income before income taxes	183.4	5.6	94.2
Income taxes	67.8	2.1	38.9
Net income	115.6	3.5	55.3
Preferred dividends	-	-	(29.9)
Excess of the carrying amount over the fair value of the consideration transferred to the holders			
of Class A Preferred Stock	-	-	29.8
Net income available for common stockholders	\$ 115.6	\$ 3.5	\$ 55.2
Basic earnings per share	\$ 2.87	\$ 0.11	\$ 0.74
Diluted earnings per share	\$ 2.34	\$ 0.08	\$ 0.43

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

	Year Ended [December 31
(In millions, except share and per share data)	1999	1998
ASSETS		
Current assets:		
Cash and equivalents	\$ 140.2	\$ 4.5
Accounts receivable, net of allowance of	194.0	123.8
\$5.0 in 1999 and \$2.9 in 1998		
Inventories	133.3	137.1
Prepaid expenses and other	22.3	14.5
Deferred income taxes	19.7	14.1
Total current assets	509.5	294.0
Property, plant and equipment, net	929.0	829.3
Deferred income taxes	50.5	62.2
Goodwill and other assets	188.1	40.7
Total assets	\$ 1,677.1	\$1,226.2
	,	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 269.1	\$ 232.8
Accrued compensation and benefits	129.7	105.4
Other accrued expenses	47.9	24.7
Total current liabilities	446.7	362.9
Long-term debt	774.9	693.4
Postretirement benefits and other long-term liabilities	191.8	129.5
Total liabilities	1,413.4	1,185.8
Stockholders' equity		
Preferred stock, par value \$.01 per share; shares authorized —		
10,000,000; no shares outstanding in 1999 or 1998	_	_
Common stock, par value \$.01 per share; shares authorized —		
150,000,000; shares issued and outstanding —		
46,357,012 in 1999 and 32,456,107 in 1998	0.5	-
Series common stock, par value \$.01 per share; shares		
authorized 40,000,000; no shares outstanding in 1999 or 1998	_	_
Paid-in capital	199.8	92.5
Retained earnings (accumulated deficit)	64.1	(51.5)
Cumulative translation adjustment	(0.7)	(0.6)
Total stockholders' equity	263.7	40.4

See accompanying notes to consolidated financial statements.

Total liabilities and stockholders' equity

\$ 1,677.1

\$1,226.2

Consolidated Statements of Cash Flows

	Year Ended December 31		
(In millions)	1999 1998 199		
Operating activities			
Net income	\$ 115.6	\$ 3.5	\$ 55.3
Adjustments to reconcile net income to net cash			
provided by operating activities:			
Depreciation and amortization	89.5	68.8	49.7
Deferred income taxes	9.8	2.6	(9.7)
Stock-option compensation expense	-	_	6.9
Pensions and other postretirement benefits,			
net of contributions	43.6	20.1	30.7
Loss on disposal of equipment	4.3	0.3	4.1
Changes in operating assets and liabilities:			
Accounts receivable	(48.2)	59.2	(75.3)
Inventories	12.7	(27.0)	10.8
Accounts payable and accrued expenses	75.3	(34.8)	141.5
Other assets and liabilities	7.7	(11.3)	(13.2)
Net cash provided by operating activities	310.3	81.4	200.8
Investing activities	(004.7)	(04.0.0)	(000.0)
Purchases of property, plant and equipment, net	(301.7)	(210.0)	(282.6)
Acquisitions, net of cash acquired	(239.4)	(41.5)	-
Proceeds from sale-leaseback of equipment	187.0	(054.5)	
Net cash used in investing activities	(354.1)	(251.5)	(282.6)
Financing activities			
Net (payments) borrowings under Revolving Credit and			
Receivables facilities	(213.9)	156.0	130.0
Proceeds from issuance of long-term debt, net	295.9	1.1	374.7
Debt issuance costs	(10.3)	(0.1)	(18.6)
Payment of dividends	_	_	(34.5)
Recapitalization payments	_	_	(478.9)
Proceeds from issuance of common stock, net	107.8	0.3	0.4
Net cash provided by (used in) financing activities	179.5	157.3	(26.9)
Effect of evolution rate changes as a section			
Effect of exchange rate changes on cash	_	_	
Net increase (decrease) in cash and equivalents	135.7	(12.8)	(108.7)
Cash and equivalents at beginning of year	4.5	17.3	126.0
	6 140 0	Φ 4.5	Ф 170
Cash and equivalents at end of year	\$ 140.2	\$ 4.5	\$ 17.3

See accompanying notes to consolidated financial statements.

American Axle & Manufacturing Holdings, Inc. Consolidated Statements of Stockholders' Equity

(In millions, except per share data)	Common Stock	Paid-in Capital	Retained Earnings (Accumulated Deficit)	Cumulative Translation Adjustment	Comprehensive Income
Balance at January 1, 1997 Net income and comprehensive income	\$ -	\$ 90.2	\$ 160.0 55.3	\$ -	\$ 55.3
Cash dividends: Preferred stock — \$2,243 per share Common stock — \$0.06 per share Recapitalization of common stock Recapitalization of preferred stock Recapitalization tax payment to Jupiter Capital Corporation Recapitalization costs paid to or on behalf of stockholders Recapitalization deferred taxes Issuance of common stock		(12.9)	(29.9) (4.6) (203.5) 29.8 (74.2) (18.3) 30.4		
Stock option grants Balance at December 31, 1997	_	14.5 92.2	(55.0)		
Net income Foreign currency translation Comprehensive income			3.5	(0.6)	\$ 3.5 (0.6) \$ 2.9
Exercise of stock options Balance at December 31, 1998		0.3 92.5	(51.5)	(0.6)	
Net income Foreign currency translation Comprehensive income			115.6	(0.1)	\$ 115.6 (0.1) \$ 115.5
Issuance of common stock Exercise of stock options	0.4 0.1	107.3			
Balance at December 31, 1999	\$ 0.5	\$ 199.8	\$ 64.1	\$ (0.7)	

Notes to Consolidated Financial Statements

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: American Axle & Manufacturing Holdings, Inc. ("Holdings") and its subsidiaries (collectively, the "Company"), is a Tier I supplier to the automotive industry and a world leader in the manufacturing, engineering and design of driveline systems (including forged products) for trucks, buses, sport-utility vehicles, and passenger cars. The driveline system includes all the components that transfer power from the transmission and deliver it to the drive wheels. Driveline products produced by the Company include axles, propeller shafts, chassis components, driving heads, crankshafts, transmission parts and forged products. In addition to its 13 locations in the United States (in Michigan, New York and Ohio), the Company also has offices and facilities in Brazil, England, Germany, Japan, Mexico and Scotland.

Holdings is the survivor of a migratory merger with American Axle & Manufacturing of Michigan, Inc. ("AAMM") and has no significant assets other than its investment in its subsidiaries. Pursuant to this merger, which was effected in January 1999, each share of AAMM's common stock was converted into 3,945 shares of Holdings' common stock. All share and per share amounts have been adjusted to reflect this conversion.

In February 1999, Holdings completed an initial public offering (the "IPO") and issued 7 million shares of its common stock. The net proceeds of the offering, after deduction of associated expenses, was \$107.7 million.

Recapitalization: In October 1997, AAMM completed a comprehensive recapitalization (the "Recapitalization"). Prior to the Recapitalization, AAMM was a wholly owned subsidiary of American Axle & Manufacturing, Inc. ("AAM Inc."). Pursuant to the Recapitalization, AAMM acquired a 100% ownership interest in AAM Inc. by exchanging shares of its own stock, on a one-for-one basis, with the stockholders of AAM Inc. This exchange of shares was accounted for in a manner similar to a pooling of interests because both AAMM and AAM Inc. were under common control. Following the exchange of shares, AAMM repurchased 50.8 million shares or 61% of its common stock outstanding for \$216.3 million. Following the Recapitalization, the original stockholders of AAM Inc. owned 17.8% of outstanding common stock.

As part of the Recapitalization, AAMM redeemed and retired all outstanding shares of Class A Preferred Stock ("preferred stock") issued in 1994 to General Motors Corporation ("General Motors") for \$170.2 million. In 1997 and 1996, General Motors earned \$12 million and \$17.9 million of dividends, respectively, based on cash flow and net income formulae. Both the 1997 and 1996 dividends were declared and paid in 1997. Also as part of the Recapitalization, AAMM made a \$74.2 million payment to Jupiter Capital Corporation ("Jupiter") (AAMM's parent prior to the Recapitalization).

Recapitalization expenses of \$15.9 million consisted primarily of fees for professional services. In addition, other Recapitalization costs of \$18.3 million were paid either to stockholders or to third parties on the stockholders' behalf and have been charged directly to retained earnings.

Principles of Consolidation: The consolidated financial statements include the accounts of Holdings and its subsidiaries. All intercompany transactions, balances and profits are eliminated upon consolidation.

Revenue Recognition: The Company recognizes revenue when products are shipped to the customer.

Research and Development Costs: The Company expenses research and development costs as incurred. Research and development costs were \$39.1 million, \$29.5 million and \$27.8 million for 1999, 1998 and 1997, respectively.

Cash and Equivalents: Cash and equivalents include all cash balances and highly liquid investments with a maturity of 90 days or less at time of purchase.

Tooling: Costs incurred by the Company for customer tooling for which the Company will be reimbursed are classified as accounts receivable. Provisions for losses are recorded at the time the Company estimates the costs of these projects to exceed customer reimbursement.

Inventories: Inventories are stated at the lower of cost or market. Cost is determined principally using the last-in, first-out method (LIFO). Non-productive inventories consist of materials consumed in the manufacturing process but not incorporated into the finished products.

Inventories consist of the following:

as of December 31 (in millions)	1999	1998
Raw materials and work-in-process	\$ 105.3	\$ 87.6
Finished goods	22.6	42.2
Gross inventories at average cost	127.9	129.8
Excess of average cost over LIFO cost	(7.8)	(7.0)
Net productive inventories	120.1	122.8
Non-productive inventories	13.2	14.3
Total inventories	\$133.3	\$137.1

Property, Plant and Equipment: Property, plant and equipment consists of the following:

as of December 31 (in millions)	1999	1998
Land and land improvements	\$ 25.0	\$ 19.3
Buildings and building improvements	134.5	51.5
Machinery and equipment	825.6	843.4
Construction in progress	224.5	133.1
Total	1,209.6	1,047.3
Accumulated depreciation	(280.6)	(218.0)
Property, plant and equipment, net	\$929.0	\$ 829.3

Property, plant and equipment are stated at cost. Construction in progress includes costs incurred for machinery and equipment and building improvements in process. Depreciation is provided using the straight-line method over the assets' estimated useful lives, which range from 3 to 40 years. Depreciation amounted to \$85.5 million, \$67.3 million and \$48.1 million in 1999, 1998 and 1997, respectively. Other expense in 1999, 1998 and 1997 consisted principally of losses on the disposal of fixed assets.

Notes to Consolidated Financial Statements (continued)

Effective January 1, 1997, the Company extended the estimated useful lives of certain machinery and equipment to better allocate the cost of the assets over their estimated useful lives. This change in estimated useful lives increased operating income by approximately \$6.4 million in 1997.

Goodwill: Goodwill is recognized for the excess of the purchase price of acquired businesses over the value of their identifiable net tangible and intangible assets acquired and amortized over a period not exceeding 40 years.

Impairment of Long-Lived Assets: The Company periodically reviews the realization of its long-lived assets, including goodwill, based on an evaluation of remaining useful lives and the current and expected future profitability and cash flows of such assets.

Stock Based Compensation: The Company has elected to follow APB No. 25, "Accounting for Stock Issued to Employees", and related interpretations in accounting for its employee stock options. Accordingly, compensation cost is measured on the excess, if any, of the market price of the company's stock at the date of grant over the amount an employee must pay to acquire the stock.

Currency Translation: Assets and liabilities of foreign subsidiaries are translated to U.S. dollars at end-of-period exchange rates. The effect of translation for the Company's foreign subsidiaries that use the local currency as their functional currency is reported as a separate component of stockholders' equity. The effect of remeasurement of assets and liabilities of the Company's foreign subsidiary that uses the U.S. dollar as its functional currency is included in income. Income statement elements of all

foreign subsidiaries are translated to U.S. dollars at average-period exchange rates. Also included in income are gains and losses arising from transactions denominated in a currency other than the functional currency of the Company or any of its subsidiaries.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and the disclosures in the financial statements. Actual results could differ from those estimates.

Effect of New Accounting Standards: In June 1998, FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities", was issued. FASB Statement No. 133 establishes standards for the recognition and measurement of derivatives and hedging activities. This statement is effective on January 1, 2001. The Company is currently analyzing the impact this statement will have on its financial statements.

Reclassifications: Certain 1997 and 1998 amounts have been reclassified to conform with the 1999 financial statement presentation.

2. AMERICAN AXLE & MANUFACTURING, INC.

Holdings has no material assets, liabilities or operations other than those that result from its ownership of 100% of the outstanding common stock of American Axle & Manufacturing, Inc. ("AAM Inc."). Separate consolidated financial statements of AAM Inc. are not presented because they would not be materially different from the accompanying consolidated financial statements. The following is a summary of the

consolidated assets and liabilities of AAM Inc. and its subsidiaries and their consolidated results of operations:

as of December 31 (in millions)	1999	1998
Assets:		
Current assets	\$ 509.5	\$ 294.0
Noncurrent assets	1,167.6	932.2
Total assets	\$1,677.1	\$1,226.2
Liabilities:		
Current liabilities	\$ 446.7	\$ 362.9
Noncurrent liabilities	966.7	822.9
Total liabilities	\$1,413.4	\$1,185.8

(in millions)	1999	1998
Net sales	\$ 2,953.1	\$2,040.6
Gross profit	388.8	156.4
Net income	115.6	3.5

3. ACQUISITIONS

In 1999, the Company purchased two domestic forging companies, Colfor Manufacturing, Inc. ("Colfor") and MSP Industries Corporation ("MSP"), and a majority interest in a joint venture in Brazil which machines forging and driveline components for automotive OEMs for aggregate cash purchase consideration of approximately \$239 million. Aggregate sales for these companies approximated \$190 million in 1998.

In 1998, the Company acquired Albion Automotive (Holdings) Limited ("Albion") for a purchase price of approximately \$42 million and approximately \$30 million of assumed debt and capital lease obligations. Approximately \$5.9 million of additional purchase price consideration may be payable to Albion's former stockholders based upon Albion's future financial performance.

4. LONG-TERM DEBT AND LEASE OBLIGATIONS

Long-term debt consists of the following:

as of December 31 (in millions)	1999	1998
Credit Facilities:		
Revolver	\$ _	\$ 223.0
Tranche A Term Loan	_	_
Tranche B Term Loan	375.0	375.0
Total Credit Facilities	375.0	598.0
Receivables Facility	70.0	63.0
Senior Subordinated Notes Due 2009, net of discount		
of \$2.1	297.9	_
Capital Lease Obligations	25.7	26.1
Other	6.3	6.3
Total long-term debt	\$ 774.9	\$ 693.4

Credit Facilities: The Company's Senior Secured Bank Credit Facilities ("Credit Facilities") consist of a (i) \$250 million Revolving Credit Facility, due October 2004 ("Revolver"), (ii) \$102.2 million delayed draw Term Loan Facility ("Tranche A Term Loan") due in semi-annual installments of varying amounts through October 2004 and (iii) \$375 million Term Loan Facility ("Tranche B Term Loan") due in semi-annual installments of varying amounts through April 2006. The Tranche A Term Loan can be drawn until July 2000.

Amounts outstanding under the Credit Facilities are secured by the capital stock of the Company's significant subsidiaries and all the assets except for those securing the Receivables Facility and permitted equipment and lease financings. Borrowings under the Credit Facilities bear interest at rates based on The Chase Manhattan Bank ("Chase") alternate base rate or LIBOR, plus an applicable margin. At December 31,

Notes to Consolidated Financial Statements (continued)

1999, \$102.2 million was available for future borrowings under the Tranche A Term Loan and \$250 million was available for future borrowings under the Revolver.

At December 31, 1999, the weighted-average interest rate on the balances outstanding under the Credit Facilities was 7.9%.

Receivables Facility: In connection with the Recapitalization, AAM Inc. (the "Seller") established a receivables financing facility (the "Receivables Facility") through AAM Receivables Corp. ("AAM Receivables"), a wholly owned, bankruptcy-remote subsidiary of the Company. Pursuant to the Receivables Facility, the Seller agreed to sell certain customer trade receivables created from time to time to AAM Receivables which, in turn, transferred all of such receivables to a trust, which issued variable funding certificates (the "VFC") representing undivided interests in the receivables pool. Under the VFC, a bank group provided a revolving financing commitment, subject to the terms and conditions of the Receivables Facility, of up to \$153.0 million through October 2003. These receivables are not available to the Company's general creditors. However, the primary customer of the Seller is also a supplier to the Seller and, in certain circumstances, may be able to offset amounts payable by the Seller against the Seller's trade receivables from the supplier. Accordingly, the Receivables Facility has been accounted for as if it were a secured borrowing.

Availability of financing under the VFC depends on the amount of receivables generated by the Seller from its sales, the rate of collection on those receivables and certain other characteristics of those receivables that affect their eligibility.

At December 31, 1999, approximately \$87.7 million was available under the VFC, of which \$70 million was utilized.

The Receivables Facility bears interest at rates based on Chase's alternate base rate or LIBOR plus an applicable margin. The weighted-average interest rate on the balances outstanding under the Receivables Facility at December 31, 1999 was 7.5%.

Senior Subordinated Notes Due 2009: In March 1999, AAM Inc. issued \$300 million of 9.75% Senior Subordinated Notes Due 2009 (the "Notes"). The net proceeds from the sale of the notes were approximately \$288.7 million after deduction of discounts to the initial purchasers and other fees and expenses.

The Notes are unsecured senior subordinated obligations of AAM Inc. and are guaranteed by Holdings. Prior to the Notes' maturity on March 1, 2009, the Company may redeem the Notes beginning on March 1, 2004 at stated redemption prices beginning at 104.875% at March 1, 2004 and decreasing to 100% on March 1, 2007 and thereafter. In addition, the Company may also redeem up to \$105 million of the Notes using the proceeds of certain equity offerings through March 1, 2002 at a redemption price of 109.75%.

Including amortization of the original issue discount, the interest rate on the Senior Subordinated Notes was 9.875%.

Debt Covenants: The Credit Facilities and Notes contain various operating covenants which, among other things, impose certain limitations on the Company's ability to declare or pay dividends or distributions on capital stock, redeem or repurchase capital stock, incur liens, incur

indebtedness, merge, make acquisitions or sell assets. Under the Credit Facilities and Notes, the Company is required to comply with financial covenants relating to interest coverage, leverage, retained earnings and capital expenditures. Borrowings under the Credit Facilities may be prepaid by the Company at any time at the option of the Company, without penalty, other than breakage costs. Loans made under the Credit Facilities are subject to mandatory prepayments under certain conditions. Additionally, the Credit Facilities required the Company to enter into interest rate hedging arrangements with a notional value of \$112.5 million.

Leases: The Company leases certain facilities, machinery and equipment under capital leases expiring at various dates. Approximately \$37.7 million and \$32.0 million of such gross asset cost is included in property, plant and equipment at December 31, 1999 and 1998, respectively. The weighted-average interest rate on these capital lease obligations was 7.0% at December 31, 1999.

In 1999, the Company closed two sale-leaseback transactions involving approximately \$187 million of existing machinery and equipment. These transactions were financed under operating leases with terms between 10 years and 12 years. A gain on the sale of this machinery and equipment of approximately \$4 million will be recognized over the respective lease terms.

The Company leases certain other facilities, machinery and equipment under operating leases expiring at various dates. All of the leases contain renewal and/or purchase options. Total expense for all operating leases was \$32.6 million, \$14.0 million and \$9.7 million for the years ended December 31, 1999, 1998 and 1997 respectively. Future minimum payments under noncancelable operating leases are as follows: \$43.1 million in 2000, \$40.7 million in 2001, \$63.8 million in 2002, \$26.8 million in 2003, \$26.3 million in 2004 and \$156.6 million thereafter.

Debt Maturities: Aggregate maturities of long-term debt are as follows (in millions):

2000	\$ 11.7
2001	9.2
2002	6.8
2003	74.4
2004	1.3
Thereafter	671.5
Total	\$ 774.9

The Company has sufficient availability to refinance current maturities of long-term debt through its existing Credit Facilities and has classified such obligations as long-term debt at December 31, 1999.

Gross interest expense in 1999, 1998 and 1997 was \$70.2 million, \$48.6 million, and \$9.1 million, respectively. Interest paid in 1999, 1998 and 1997 was \$55.8 million, \$50.2 million and \$1.7 million, respectively. Interest capitalized in 1999, 1998 and 1997 was \$8.5 million, \$3.8 million and \$0.2 million, respectively.

Interest income in 1999, 1998 and 1997 was \$7.1 million, \$0.5 million and \$7.1 million, respectively.

Notes to Consolidated Financial Statements (continued)

5. DERIVATIVES AND RISK MANAGEMENT

Financial Instruments: The Company uses interest-rate swaps and collars of up to 3 years in duration to manage its exposure to adverse movements in interest rates. In connection with the Tranche B Term Loan, the Company entered into a \$112.5 million rate collar transaction which terminates in December 2000 to pay a floating rate of interest based on 3-month LIBOR with a cap rate of 6.5% and a floor rate of 5.5%. At December 31, 1999, the Company has interest rate swap agreements with notional amounts of \$62.5 million that convert the variable rates of leases and certain debt amounts to fixed rates of approximately 8.0%. The rate collar transaction and interest rate swap agreements have been designated as effective hedges of the related debt and lease obligations and, accordingly, the net cost of such agreements is reflected as an adjustment to interest expense over the lives of the debt and lease agreements.

Fair Value of Financial Instruments: The carrying value of cash and equivalents, accounts receivable, accounts payable and accrued liabilities approximates their fair values due to the short-term maturities of these assets and liabilities. The carrying value of long-term debt outstanding under the Credit and Receivables Facilities approximate their fair value due the frequent resetting of the interest rate. The estimated fair value of the Notes and the interest rate swaps and collars have been determined using available market information.

At December 31, 1999, the fair value of the Notes is approximately \$302.2 million. At December 31, 1999, the interest rate swaps and collars have notional values of \$175 million and unrealized losses of approximately \$0.1 million. At December 31, 1998, the interest rate swaps and collars had notional values of \$182.7 million and unrealized losses of approximately \$5.5 million.

Concentrations of Credit Risk: In the normal course of business, the Company provides credit to customers in the automotive industry, performs credit evaluations of these customers and maintains reserves for potential credit losses which, when realized, have been within the range of management's allowance for doubtful accounts. When appropriate, the Company diversifies the concentration of invested cash among different financial institutions and also diversifies the selection of counterparties to other financial instruments.

6. EMPLOYEE BENEFIT PLANS

Pension and Other Postretirement Benefits:

The Company sponsors various qualified and non-qualified defined benefit pension plans for its eligible employees. The Company also maintains hourly and salaried benefit plans that provide postretirement medical, dental, vision and life benefits to eligible retirees and dependents in the United States. The Company provides benefits under collective bargaining agreements to a majority of its hourly employees.

Actuarial valuations of the U.S. benefit plans were made at September 30, 1999 and 1998, respectively. Actuarial valuations of the foreign benefit plans were made at December 31, 1999 and 1998, respectively. The following table summarizes the changes in benefit obligations and plan assets and reconciles the funded status of the benefit plans to net benefit plan liability:

	Pension Benefits		Other B	enefits
(In millions)	1999	1998	1999	1998
Change in benefit obligation				
Benefit obligation at beginning of year	\$148.6	\$ 78.4	\$ 79.5	\$ 52.7
Service costs	21.7	16.7	21.7	18.9
Interest cost	10.9	7.1	7.2	5.4
Actuarial (gain) loss	(22.7)	8.4	(17.2)	2.9
Participant contributions	1.7	0.3	_	_
Acquisition	_	38.2	_	_
Benefit payments	(2.4)	(0.5)	(1.1)	(0.4)
Currency fluctuations	(1.0)	_		_
Net change	8.2	70.2	10.6	26.8
Benefit obligation at end of year	156.8	148.6	90.1	79.5
Change in plan assets				
Fair value of plan assets at beginning of year	143.6	81.3	-	_
Actual return on plan assets	18.4	9.7	-	_
Employer contributions	1.5	18.8	1.1	0.4
Participant contributions	1.7	0.3	-	_
Acquisition	-	34.0	-	_
Benefit payments	(2.4)	(0.5)	(1.1)	(0.4)
Currency fluctuations	(1.0)		-	
Net change	18.2	62.3	-	
Fair value of plan assets at end of year	161.8	143.6	-	
Funded status – U.S. plans at September 30 Funded status – foreign plans at December 31	1.7 3.3	(0.7) (4.3)	(90.1)	(79.5)
Unrecognized actuarial gain	(42.6)	(14.2)	(31.3)	(13.8)
Unrecognized prior service cost	4.6	5.1	0.1	0.1
Fourth quarter contribution	3.0	_	0.3	0.2
Net liability at December 31	\$ (30.0)	\$ (14.1)	\$(121.0)	\$ (93.0)

Notes to Consolidated Financial Statements (continued)

The principal weighted-average assumptions used in the valuation of the U.S. and foreign plans were as follows:

	Pension Benefits							
	1999		1998			Oth	er Benefi	ts
	U.S.	Foreign	U.S.	Foreign	1997	1999	1998	1997
Discount rate Expected return	7.75%	6.00%	6.75%	5.50%	7.50%	7.85%	7.15%	7.50%
on plan assets Rate of compensation	9.25%	8.00%	9.25%	8.00%	9.00%	N/A	N/A	N/A
increase	4.25%	4.00%	4.00%	3.50%	4.00%	4.25%	4.00%	4.00%

	Pension Benefits				Ot	her Bene	fits
(In millions)	1999	1998	1997		1999	1998	1997
Components of net							
periodic benefit costs							
Service cost	\$21.6	\$17.2	\$15.3		\$21.7	\$18.9	\$17.2
Interest cost	10.9	7.6	5.8		7.2	5.4	4.1
Expected asset return	(12.3)	(9.0)	(6.2)		N/A	N/A	N/A
Amortized gain	(0.2)	(1.6)	(1.0)		(0.4)	(1.3)	(1.1)
Amortized prior service cost	0.5	0.5	0.5	_	_	_	
Net benefit cost	\$20.5	\$14.7	\$14.4		\$28.5	\$23.0	\$20.2

For measurement purposes, a 6.65% annual increase in the per capita cost of covered health care benefits was assumed for 2000. The rate was assumed to decrease gradually to 5.0% for 2002 and remain at that level thereafter. Health care cost trend rates have a significant effect on the amounts reported for the health care plans.

A one-percentage point increase in the assumed health care cost trend rate would have increased total service and interest cost and the postretirement obligation by \$7.2 million and \$19.4 million, respectively. A one-percentage point decrease in the assumed health care cost trend rate would have decreased total service and interest cost and the postretirement obligation by \$5.8 million and \$14.8 million, respectively.

Voluntary Savings Plan: Most U.S. employees are eligible to participate in a voluntary savings plan. The Company's maximum match under these plans is 50% of the first 6% of salaried employee contributions. Company matching contributions amounted to \$1.6 million, \$1.5 million and \$0.9 million for the years ended December 31, 1999, 1998 and 1997, respectively.

7. STOCK OPTIONS

In 1997 and in 1999, the Company established two stock option plans and an incentive stock plan (the "stock compensation plans") under which a total of 9.5 million shares of common stock are authorized for issuance to directors, officers and certain employees of the Company in the form of options, stock appreciation rights or other awards that are based on the value of the Company's common stock. Under the stock compensation plans, the exercise price of the options, rights or other awards will not be less than the fair market value of the common stock on the date of grant. A total of 6.1 million options have been granted under these stock compensation plans at December 31, 1999. These options become exercisable based upon duration of employment or operating performance. At December 31, 1999, 0.1 million of these options have been exercised.

In 1994, the Company granted an officer of the Company options to purchase 6.9 million shares of the Company's common stock. In 1997, the Company canceled and replaced these options at substantially identical terms and recognized compensation expense of \$6.8 million resulting from the modification of the exercisability period. These options were exercised in October 1999.

In October 1997, the Company granted several officers of the Company options to purchase 1.9 million shares of the Company's common stock as replacement for an incentive compensation plan established in 1994. The options were immediately vested and exercisable at a weighted-average exercise price per share of approximately \$0.16. Compensation expense relating to the incentive compensation plan established in 1994 was \$2.3 million in 1997.

The following table summarizes the activity relating to the Company's stock options:

		Weighted-Average
(In millions, except per share data)	Number of Shares	Exercise Price
Outstanding at January 1, 1997	6.9	\$ 0.01
Options granted	14.5	1.71
Options exercised	-	-
Options lapsed or canceled	(6.9)	0.01
Outstanding at December 31, 1997	14.5	\$ 1.71
Options granted	-	-
Options exercised	(0.1)	4.26
Options lapsed or canceled	(0.1)	4.26
Outstanding at December 31, 1998	14.3	\$ 1.68
Options granted	0.6	15.38
Options exercised	(6.9)	0.02
Options lapsed or canceled	(0.2)	6.34
Outstanding at December 31, 1999	7.8	\$ 4.07
Options exercisable at December 31, 1997	9.1	\$ 0.19
Options exercisable at December 31, 1998	9.4	\$ 0.31
Options exercisable at December 31, 1999	3.9	\$ 2.42

Options outstanding at December 31, 1999 have a weighted-average remaining contractual life of approximately 10 years and have exercise prices ranging from \$0.01 to \$15.56 per share.

Notes to Consolidated Financial Statements (continued)

Had the Company determined compensation cost based upon the fair value of the options at the grant date consistent with the method specified by FASB Statement No. 123, "Accounting for Stock-Based Compensation", the Company's net income and earnings per share would have been adjusted to the pro forma amounts indicated below:

(In millions, except per share data)	1999	1998	1997
Net income as reported	\$ 115.6	\$ 3.5	\$ 55.3
Pro forma	\$ 114.5	\$ 2.8	\$ 55.1
Basic earnings per share as reported	\$ 2.87	\$ 0.11	\$ 0.74
Pro forma	\$ 2.84	\$ 0.09	\$ 0.73
Diluted earnings per share as reported	\$ 2.34	\$ 0.08	\$ 0.43
Pro forma	\$ 2.30	\$ 0.06	\$ 0.43

For options granted prior to the Company's IPO in January 1999, the fair value of each option was determined using the minimum value method and an assumed interest rate of 6.13%. For options granted in 1999, the fair value of each option was estimated on the date of grant using an option-pricing model with the following assumptions:

Expected volatility	38.6%
Risk-free interest rate	4.74%
Dividend yield	none
Expected life of option	7 years
Weighted-average grant-date fair value	\$ 6.95

8. INCOME TAXES

The following is a summary of the components of the provision for income taxes:

(In millions)	1999	1998	1997
Current			
Federal	\$ 47.7	\$ -	\$ 43.4
Michigan single business tax	7.2	0.4	4.1
Other state and local	(0.5)	(0.9)	1.1
Total payable currently	54.4	(0.5)	48.6
Deferred			
Federal	11.1	3.6	(8.1)
Michigan single business tax	2.9	1.2	(1.2)
Other state and local	1.8	(0.4)	(0.4)
Foreign	(2.4)	(1.8)	
Total deferred	13.4	2.6	(9.7)
Total income taxes	\$ 67.8	\$ 2.1	\$ 38.9

The following is a reconciliation of the provision for income taxes to the expected amounts using the statutory rate:

	1999	1998	1997
Federal statutory	35.0%	35.0%	35.0%
State and local	4.5	5.7	2.9
Federal credits and other	(2.5)	(7.3)	3.4
Foreign rate difference	-	3.6	-
Effective income tax rate	37.0%	37.0%	41.3%

The following is a summary of the significant components of the Company's deferred tax assets and liabilities:

as of December 31 (in millions)	1999	1998
Deferred tax assets - current:		
Employee benefits	\$ 11.0	\$ 10.1
Inventory	2.6	3.4
Other	6.1	0.6
Total deferred tax assets - current	\$ 19.7	\$ 14.1
Deferred tax assets - noncurrent:		
Employee benefits	\$ 53.6	\$39.0
Net operating loss carryforwards	26.4	62.3
Fixed assets	18.3	19.1
Tax credit carryforwards	5.2	2.6
Goodwill	1.8	2.4
Prepaid taxes	24.1	0.8
Other	6.3	3.2
Valuation allowance	(32.2)	(45.5)
Total deferred tax assets - noncurrent	103.5	83.9
Deferred tax liabilities - noncurrent:		
Fixed assets	53.0	21.7
Net deferred tax assets - noncurrent	\$ 50.5	\$ 62.2

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes and the impact of available net operating loss ("NOL") and tax credit carryforwards.

Notes to Consolidated Financial Statements (continued)

At December 31, 1999, the Company had unused NOL and capital allowance carryforwards for foreign, state and local tax purposes of approximately \$96.4 million. Of these carryforwards, \$9.0 million expire in 2009 and \$87.4 million do not expire. The Company also has \$4.6 million federal R&D tax credits and \$0.6 million of other state tax credits. These tax credit carryforwards expire between 2011 and 2019.

A valuation allowance of \$45.5 million was first established in 1998, and was subsequently reduced to \$32.2 million in 1999, due to the uncertainty of realizing the full benefit of the foreign NOL and capital allowance carryforwards. In determining the amount of valuation allowance needed, the Company considers prior operating results and future plans, as well as the utilization period of the NOLs and the turnaround period of other temporary differences.

As part of the Recapitalization, an election was made to treat the transaction as a sale of assets for tax purposes under Internal Revenue Code Section 338(h)(10). As a result of this election, certain differences between the book and tax bases of the Company's assets and liabilities generated a deferred tax asset of \$30.4 million. This amount was charged directly to retained earnings.

Prior to the Recapitalization, the Company filed a consolidated federal income tax return with Jupiter. Under the terms of a tax-sharing agreement, the Company's provision for federal income taxes through October 29, 1997 reflected the tax expense and the related liability which would have been applicable if a separate federal

income tax return had been filed by the Company. Subsequent to the Recapitalization, the Company files stand-alone consolidated tax returns.

Income tax payments, including federal and state income taxes for the years ended December 31, 1999, 1998 and 1997 were \$48.8 million, \$9.3 million and \$44.1 million, respectively.

9. RELATED PARTY TRANSACTIONS

In connection with the Recapitalization, the Company and Blackstone Management Partners L.P. ("Blackstone"), an affiliate of the Company's majority stockholder, entered into an agreement pursuant to which Blackstone provides certain advisory and consulting services to the Company. The Company incurred costs of \$4.0 million, \$2.4 million and \$0.9 million for such services provided by Blackstone in 1999, 1998 and 1997, respectively.

At December 31, 1998, the Company had a \$13.4 million receivable from a stockholder which was repaid in 1999.

10. COMMITMENTS AND CONTINGENCIES

At December 31, 1999, obligated purchase commitments for capital expenditures were approximately \$185.7 million.

The Company is a party to various legal proceedings incidental to its business. Although the outcome of these matters cannot be predicted with certainty, management believes that none of these matters, individually or in the aggregate, will have a material effect on the Company's consolidated financial statements.

11. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

(In millions, except per share data)	1999		1998		1997
Numerators:					
Net income	\$ 115.6	\$	3.5	\$	55.3
Preferred dividends	-		-		(29.9)
Excess of the carrying amount over the fair value of the					
consideration transferred to the holders of Class A Preferred Stock					20.0
					29.8
Numerator for basic earnings per share— income available to common stockholders	115.6		2.5		EE O
Effect of dilutive securities:	115.6		3.5		55.2
Preferred dividends	_		_		29.9
Excess of the carrying amount over the fair value of the					20.0
consideration transferred to the holders of Class A					
Preferred Stock	_		_		(29.8)
Numerator for diluted earnings per share—					
income available to common stockholders					
after assumed conversions	\$ 115.6	\$	3.5	\$	55.3
Denominators:					
Denominator for basic earnings per share—					
weighted-average shares	40.3		32.4		74.6
Effect of dilutive securities:	0.0		100		0.4
Dilutive stock options	9.2		10.8		8.1
Conversion of Class A Preferred Stock	_				43.8
Dilutive potential common shares	9.2		10.8		51.9
Denominator for dilutive earnings per share—					
adjusted weighted-average shares after assumed conversions	49.5		43.2		126.5
Basic earnings per share	\$ 2.87	\$		\$	0.74
Diluted earnings per share	\$ 2.34	\$	0.08	\$	0.43
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Notes to Consolidated Financial Statements (continued)

12. SEGMENT AND GEOGRAPHIC INFORMATION

The Company operates in one reportable segment: the manufacture, engineering and design of driveline systems (including forged products) for trucks, buses, sport-utility vehicles, and passenger cars. Financial information relating to the Company's operations by geographic area is presented in the following table. Net sales are attributed to countries based upon location of customer. Long-lived assets exclude deferred income taxes.

(In millions)	1999	1998	1997
Net Sales			
United States	\$ 2,285.2	\$ 1,619.1	\$ 1,725.7
Canada	405.9	264.2	303.5
Mexico and South America	140.4	127.5	116.8
Europe and Other	126.5	29.8	1.5
Inter-geographic revenues	(4.9)	-	
Total net sales	\$ 2,953.1	\$ 2,040.6	\$ 2,147.5
Long-lived assets			
United States	\$ 947.0	\$ 787.0	\$ 674.5
Other	170.1	83.0	_

With the exception of sales to General Motors Corporation, no single customer accounted for more than 10% of the Company's consolidated net sales in any year presented. Sales to General Motors Corporation were 86%, 93% and 96% of our total net sales in 1999, 1998 and 1997, respectively.

13. UNAUDITED QUARTERLY FINANCIAL DATA AND MARKET FOR THE COMPANY'S COMMON STOCK

Quarter Ended

(In millions, except per share data)	Ma	arch 31	•	Jur	ne 30	Sep	tember 30	Dec	ember 31	F	ull Year
1999											
Net Sales	\$	697.7	\$		8.008	\$	718.8	\$	735.8	\$	2,953.1
Gross Profit		92.1			108.4		89.4		98.9		388.8
Net income		29.0			33.7		25.4		27.5		115.6
Diluted earnings per share		0.61			0.67		0.50		0.56		2.34
Market price ⁽¹⁾											
High	\$	16.69	\$		16.31	\$	16.94	\$	15.00	\$	16.94
Low	\$	11.69	\$		12.00	\$	14.00	\$	11.94	\$	11.69
1998											
Net Sales	\$	583.3	\$; 4	462.9	\$	364.8	\$	629.6	\$	2,040.6
Gross Profit		61.8			22.2		2.0		70.4		156.4
Net income (loss)		16.9			(7.0)		(21.1)		14.7		3.5
Diluted earnings per share		0.39			(0.16)		(0.49)		0.34		0.08

⁽¹⁾ Prices are based on the composite tape of the New York Stock Exchange. We had approximately 350 stockholders of record at February 11, 2000.

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

Management of American Axle & Manufacturing Holdings, Inc. (the "Company") is responsible for the preparation of the accompanying consolidated financial statements and for their integrity and objectivity. The financial statements have been prepared in conformity with generally accepted accounting principles and include amounts based on the best estimates and judgments of management.

Management is also responsible for maintaining a comprehensive system of internal control designed to provide reasonable assurance that the books and records reflect the transactions of the Company and that established policies and procedures are carefully followed. Management continually reviews the Company's system of internal control for effectiveness. Management considers the recommendations of its internal auditors and independent auditors concerning the Company's internal control and takes the necessary actions that are cost-effective in the circumstances.

Deloitte & Touche LLP is engaged as independent auditors to audit the accompanying consolidated financial statements of the Company and issue reports thereon. Such audits are conducted in accordance with generally accepted auditing standards that comprehend the consideration of internal control and tests of transactions to the extent necessary to form an independent opinion on the financial statements prepared by management.

The Board of Directors, through the Audit Committee which is composed entirely of directors of the Company who are not employees, is responsible for assuring that management fulfills its responsibilities in the preparation of the consolidated financial statements. The Audit Committee selects the independent auditors annually in advance of the Annual Meeting of Shareholders and submits the selection for ratification at the meeting. In addition, the Audit Committee reviews the scope of audits and the accounting principles being applied in financial reporting. The independent auditors, management, and the internal auditors meet regularly with the Audit Committee to review the activities of each, to ensure that each is properly discharging its responsibilities and to assess the effectiveness of internal control. It is management's conclusion that internal control at December 31, 1999 provides reasonable assurance that the books and records reflect the transactions of the Company and that established policies and procedures are complied with. To ensure complete independence, Deloitte & Touche LLP has full and free access to meet with the Audit Committee, without management present, to discuss the results of the audit, the adequacy of internal control, and the quality of financial reporting.

Richard E. Dauch

Chairman, Chief Executive Officer & President

January 26, 2000

Robin J. Adams

Executive Vice President - Finance & Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders, American Axle & Manufacturing Holdings, Inc.

We have audited the accompanying consolidated balance sheets of American Axle & Manufacturing Holdings, Inc. and its subsidiaries (the "Company") as of December 31, 1999 and 1998, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements of the Company for the year ended December 31, 1997 were audited by other auditors whose report thereon dated May 15, 1998 (except as to Note 16 thereto, as to which the date is January 22, 1999) expressed an unqualified opinion on those statements.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such 1999 and 1998 consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 1999 and 1998, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Detroit, Michigan

Deloite & Touche LLP

January 26, 2000 47

Directors, Officers and Stockholders' Information

BOARD OF DIRECTORS

Richard E. Dauch (3)

Co-founder, Chairman, Chief Executive Officer & President American Axle & Manufacturing Holdings, Inc.

Forest J. Farmer, Sr. (1)

Chairman, Chief Executive Officer & President Farmer Group

Robert L. Friedman (2)

Senior Managing Director The Blackstone Group

Richard C. Lappin (1)

Senior Managing Director The Blackstone Group

B.G. Mathis (2)

Executive Vice President -Administration & Chief Administrative Officer American Axle & Manufacturing Holdings, Inc.

Bret D. Pearlman (2)

Managing Director The Blackstone Group

John P. Reilly (3)

Partner

Reilly, Erwin & Company, L.L.C.

David A. Stockman (3)

Founder

Heartland Industrial Partners

Thomas K. Walker (1)

Retired, Former President Amcast Automotive

- (1) Class I Director
- (2) Class II Director
- (3) Class III Director

Board of Directors and Officers information as of February 24, 2000

OFFICERS

Richard E. Dauch*

Chairman, Chief Executive Officer & President

Robin J. Adams*

Executive Vice President - Finance & Chief Financial Officer

B.G. Mathis*

Executive Vice President -Administration & Chief Administrative Officer

Joel D. Robinson*

Executive Vice President -Operations & Chief Operating Officer

Marion A. Cumo**

Vice President - Materials Management

David C. Dauch**

Vice President -Sales & Marketing

Richard F. Dauch**

Vice President - Manufacturing, Driveline Division

George J. Dellas**

Vice President - Quality Assurance & Customer Satisfaction

David J. Demos**

Vice President - Procurement

Robert A. Krause*

Vice President & Treasurer

Patrick S. Lancaster*

Vice President, General Counsel & Secretary

Allan R. Monich**

Vice President - Human Resources

Yogen N. Rahangdale**

Vice President -

Manufacturing Services

Daniel V. Sagady**

Vice President - Engineering & Product Development

Michael D. Straney**

Vice President - Europe

- * Executive Officer of American Axle & Manufacturing Holdings, Inc. and American Axle & Manufacturing, Inc.
- ** Executive Officer of American Axle & Manufacturing, Inc.

STOCKHOLDERS' INFORMATION

American Axle & Manufacturing Holdings, Inc.

1840 Holbrook Avenue Detroit, Michigan 48212-3488 Telephone: (313) 974-2000 Internet: http://www.aam.com

FORM 10-K ANNUAL REPORT

AAM's Form 10-K annual report for 1999, filed with the Securities and Exchange Commission, is available on request from:

American Axle & Manufacturing

Holdings, Inc. Investor Relations 1840 Holbrook Avenue Detroit, MI 48212-3488 Telephone: (313) 974-2073

CORPORATE NEWS RELEASES

Corporate news releases are available on AAM's home page on the Internet at: http://www.aam.com.

ANNUAL MEETING OF STOCKHOLDERS

The 2000 Annual Meeting of Stockholders will be held on Thursday, May 4, 2000, at 2:30 p.m. at the Michigan State University Management Education Center, 811 W. Square Lake Road, Troy, Michigan.

EQUITY SECURITIES

American Axle & Manufacturing Holdings, Inc.

Common Stock Transfer Agent

First Chicago Trust Company, a Division of EquiServe P.O. Box 2500

Jersey City, New Jersey 07303-2500

Telephone: (800) 446-2617

(Inside the United States)

Telephone: (201) 324-0498

(Outside the United States)

Telephone: (201) 222-4955

(TDD/TTY for hearing

impaired)

Internet: http://www.equiserve.com

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Five Year Financial Summary

Year Ended December 31,

(In millions, except per share data)	1999	1998 ^(a)	1997	1996	1995
Statement of income data:					
Net sales	\$ 2,953.1	\$2,040.6	\$2,147.5	\$2,022.3	\$1,968.1
Gross profit	388.8	156.4	220.1	176.6	179.5
Selling, general and					
administrative expenses	146.7	106.2	104.0	83.1	70.6
Operating income	242.1	50.2	116.1	93.5	108.9
Net interest (expense) income	(54.6)	(44.3)	(1.8)	9.4	9.1
Net income	115.6	3.5	55.3	61.7	70.6
Diluted earnings per share	2.34	0.08	0.43	0.43	0.50
Diluted shares outstanding (b)	49.5	43.3	126.5	143.5	141.2
Balance sheet data:					
Total assets	\$ 1,677.1	\$1,226.2	\$1,017.7	\$ 771.2	\$ 737.0
Total long-term debt	774.9	693.4	507.0	2.4	1.0
Preferred stock	-	-	_	200.0	200.0
Stockholders' equity	263.7	40.4	37.2	250.2	168.6
Other data:					
Net cash provided by					
operating activities	\$ 310.3	\$ 81.4	\$ 200.8	\$ 65.7	\$ 196.9
EBITDA ^(c)	334.6	119.2	152.8	134.7	144.8
Depreciation and amortization	89.5	68.8	49.7	36.1	25.2
Capital expenditures	301.7	210.0	282.6	162.3	147.1

⁽a) Our 1998 operating results were adversely impacted by the GM work stoppage which occurred in June and July of 1998 and the temporary reductions of certain payments previously agreed to be made by GM to the Company as part of the commercial arrangements between us. The following table sets forth the estimated impact of the GM work stoppage and the temporary payment reductions:

	As Reported 1998	GM Work Stoppage	Temporary Payment Reductions	As Adjusted 1998
Net sales	\$ 2,040.6	\$ 187.7	\$ 51.5	\$ 2,279.7
Gross profit	156.4	71.2	51.5	279.1
Operating income	50.2	71.2	51.5	172.9
EBITDA ^(c)	119.2	71.2	51.5	241.9

⁽b) Pursuant to a migratory merger effected in January 1999 and undertaken in connection with the IPO, each share of American Axle & Manufacturing of Michigan, Inc.'s common stock was converted into 3,945 shares of American Axle & Manufacturing Holdings, Inc. common stock. All share and per share amounts have been adjusted to reflect this conversion.

⁽c) EBITDA represents income from continuing operations before interest expense, income taxes, depreciation and amortization.

EBITDA should not be construed as income from operations, net income or cash flow from operating activities as determined by generally accepted accounting principles. Other companies may calculate EBITDA differently.











